



2017 Annual Report

Balance



Missouri Consolidated Health Care Plan
A Component Unit of the State of Missouri
2017 Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

Missouri Consolidated Health Care Plan

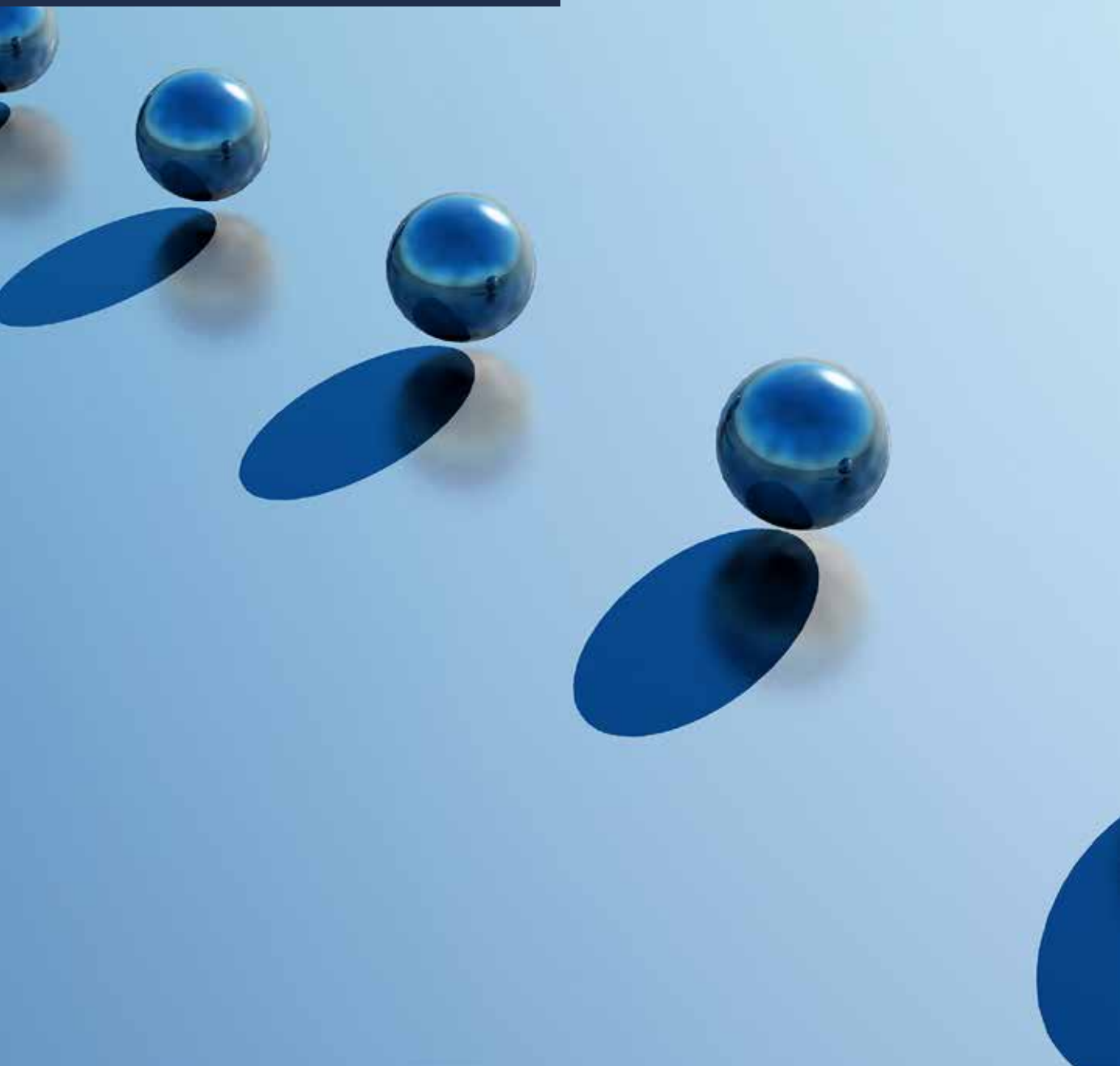
www.mchcp.org

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PO Box 104355

Jefferson City, MO 65110



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Fiscal Year Ended June 30, 2017

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Align

Introduction

Letter from the Executive Director

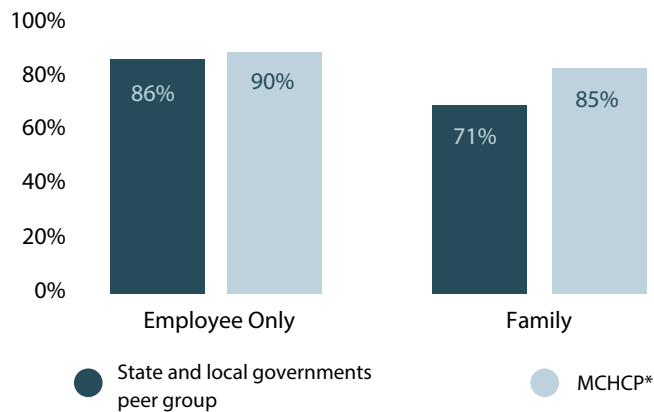


It is with great pleasure that I submit the annual report of the Missouri Consolidated Health Care Plan (MCHCP) for the period ended June 30, 2017. MCHCP is a component unit of the state of Missouri for financial reporting purposes and as such, the financial reports are also included in the state of Missouri Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of MCHCP management and sufficient internal accounting controls exist to provide a reasonable assurance regarding safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. Systems and procedures are evaluated, in conjunction with the Board of Trustees, MCHCP management and Internal Audit to provide assurances that internal controls exist and are functioning to promote objectives while minimizing risk. Reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived; the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of material misstatements. The report is also designed to comply with the provisions of section 103.025 of the Revised Statutes of Missouri (RSMO) as amended. Additional financial information can be found in the management discussion and analysis, financial statements, and notes to the financial statements included in this report.

Balance is defined as, “a condition in which different elements are equal or in the correct proportions.” As the theme of MCHCP’s fiscal year 2017 report, the essence of balance is vitally essential in our work, life and health continuum. MCHCP’s commitment to strengthening this in our membership has been evident as we have broadened our outreach to state employees through more than 250 health related educational opportunities, distributed healthy moment videos on nutritious foods, stress management and physical fitness, and directed wellness messaging and mailings to encourage healthy lifestyles. MCHCP program nurses conducted onsite weight management and quit tobacco courses in which participants have lost in excess of 400 pounds and quit tobacco with an average quit rate of 38 percent. The American writer, Mark Twain once said, “Don’t wait. The time will never be just right.” I understand the journey of change doesn’t happen overnight and obstacles always exist, but I am encouraged by MCHCP members’ efforts and will continue to pursue additional ways to assist their health goals and objectives.

Locally, the state of Missouri remains the single largest employer in the area that has a relatively low unemployment at June 30, 2017, of 3.2 percent. During the fiscal year ended June 30, 2017, the state of Missouri contributed more than \$394 million, or approximately 68 percent of revenues, to the Plan. Member contributions for our state members exceeded \$133 million while revenues for public enrollment approached \$7.5 million. Since 2010, MCHCP has paved a pathway to flat premiums for active state employees and as the chart presents below, positioned MCHCP's contribution toward premium favorably against its state and local government peer group. The Plan has utilized more than \$37 million in Plan assets for claims expenditures not covered by contributions.

MCHCP Share of Premium - 2017



**Contributions from the state and MCHCP trust fund.*

Reference: Bureau of Labor Statistics news release, March 2017.

Improving technologies and connecting with our members remains critical as we communicate with the more than 96,000 lives we serve. During fiscal year 2017, MCHCP redesigned the State Employee Benefit Enrollment System (SEBES) website to be mobile friendly, created and managed the Health Assessment and Wellness quiz, implemented on-line enrollment processes and introduced an ePayment solution for direct billed members. These processes facilitated improved operational efficiency while safeguarding valuable Plan resources.

The *Strive for Wellness*® Health Center, located in the Harry S Truman Building workplace, continues to serve our active state membership. During fiscal year 2017, the Center was visited more than 3,700 times by active state plan members and reported overall satisfaction in excess of 99 percent. We continue to explore opportunities to serve our members to facilitate the appropriate utilization of health care, and in February 2017, began offering behavioral health counseling services to accommodate the health needs of those accessing the Health Center.

For the twenty-second year in a row, MCHCP is pleased to receive the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to qualify, a government unit must publish a report conforming to all GFOA standards. The Certificate of Achievement is valid for a period of one year only. MCHCP will continue to strive for such recognition with its submission of our current report for consideration to GFOA. Additionally, MCHCP received three separate American InHouse Design Awards for its Quit Tobacco Road Map publication, Missouri State Employee 5K poster, and post card direct mail campaign for the 2017 Open Enrollment notification.

This report is a product of the combined efforts of the MCHCP staff and the Board of Trustees. It is intended to provide reliable information as a basis for making management decisions, for determining compliance with legal provisions and for evaluating the condition of the fund. Brown Smith Wallace LLC, conducted an independent audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. MCHCP has received an unqualified opinion from our independent auditors whose report can be found on pages 24 and 25.

This annual report is provided to the Governor, the State Auditor, members of the General Assembly, all state agencies, and all participating public entities and is viewable at www.mhcp.org. The cooperation and support of these individuals and agencies help contribute to our success. Also, for the Board of Trustees, I extend my gratitude to the staff who work tirelessly to provide the quality service you have come to expect from MCHCP.

I welcome your suggestions for the continued success and improvements of your health plan, MCHCP.

Yours in health,

A handwritten signature in black ink, appearing to read "Judith Muck". The signature is fluid and cursive, with the first name "Judith" being more prominent than the last name "Muck".

Judith Muck
Executive Director

December 14, 2017

Certificate of Achievement



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri Consolidated Health Care Plan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, which appears to read "Jeffrey R. Emen".

Executive Director/CEO

MCHCP Organization



Judith Muck
Executive Director

Benefit
Administration

Vendor
Relations



Stacia G. Fischer
Chief Financial Officer

Fiscal

Research



Julie K. Watson
Chief Population Health Officer

Population
Health

Clinical
Services



Bruce R. Lowe
Chief Information Officer

Information
Technology

Receiving
Services



Jennifer Stilabower
General Counsel

Plan
Integrity

Human
Resources

Letter from the Chairperson



It is my distinct pleasure to present to you, on behalf of the Board of Trustees, the Comprehensive Annual Financial Report for the Missouri Consolidated Health Care Plan (MCHCP) for the period ended June 30, 2017.

Once again, and this time as Chairperson, I am honored to serve on the MCHCP Board of Trustees. At my request, James R. McAdams, Deputy Commissioner and General Counsel of the Office of Administration serves as my designee on the MCHCP Board of Trustees. Much has changed in the landscape of health care since my first tenure with the Board when, as a state Senator, I served on the Board from February 2001 through October 2003. What has remained constant throughout the years is MCHCP's commitment to those covered by the Plan. Abraham Lincoln once said,

“Whatever you are, be a good one.”

These words serve as a reminder that exemplary service has always been the bedrock of MCHCP operations. During fiscal year 2017, more than 53,000 people visited www.mchcp.org more than 380,000 times and our dedicated benefit counselors answered more than 26,000 member service calls, responded to more than 5,000 secure messages and assisted 2,700 walk in customers. We are proud that our technological solutions allow members to access information about their benefits 24/7 in the time and manner most convenient to them.

In life, as in health, we believe one of the staples of a healthy MCHCP membership is a pathway to a work, health and life balance. As the theme of our fiscal year 2017 annual report, “Balance,” we applaud our members’ efforts in embracing their health as more than 72 percent of eligible members participated in the Partnership Incentive, up from 57 percent in 2016, while more than 83 percent attested to being tobacco-free, up from 75 percent in 2016.

Economically, the state of Missouri, like many other large employers, faces opportunities and challenges in providing affordable and comprehensive health care coverage to its employees. In fiscal year 2017, state of Missouri year-to-date net general revenue collections increased 2.6 percent compared to 2016, from \$8.79 billion in 2016 to \$9.02 billion in 2017, with myriad demands on statewide budgets.

The Board of Trustees embodies financial transparency and its duties as fiduciaries of the Plan. Plan resources at fiscal year end June 30, 2017, of more than \$394 million were contributed by the state of which more than \$242 million was general revenue, while members contributed more than \$133 million in their share of premium and non-operating revenue, primarily return on investment, totaled more than \$8.7 million.

MCHCP expenditures for self-funded medical and pharmacy benefits, and fully-insured dental and vision benefits during fiscal year 2017 were approximately \$598 million; an increase of approximately six percent over fiscal year 2016. The Plan utilized over \$37 million of its assets to cover expenditures not met through contributions. Statistically, the healthiest 30 percent of MCHCP membership, account for two percent of health care expenditures, while the least healthy eight percent account for 48 percent of health care expenditures. Overall increases in medical and pharmacy expenditures are due, in part, to the increasing numbers of high cost claimants and rising drug costs especially in specialty drugs.

On behalf of the Board of Trustees, we are appreciative of the more than 96,000 state and public members we serve and the dedicated MCHCP staff, advisors and vendors who have worked tirelessly in the administration of the Plan. We embrace the hard work necessary to provide the “balance” of affordable and comprehensive health coverage.

Respectfully,



Sarah Steelman
Chairperson
Board of Trustees
December 14, 2017



Professional Services

AUDIT SERVICES

Brown Smith Wallace, LLP

Willis Towers Watson

Claim Technologies Incorporated

BANKING

Central Bank

CONSULTING

Willis Towers Watson

DECISION SUPPORT SYSTEM

Truven Health Analytics LLC

EMPLOYEE ASSISTANCE PROGRAM

ComPsych

HEALTH SAVINGS ACCOUNT (HSA)

Central Bank

MEDICAL THIRD PARTY ADMINISTRATOR

UMR

Aetna

PHARMACY BENEFIT MANAGER

Express Scripts, Inc.

VISION PROGRAM

National Vision Administrators

DENTAL PROGRAM

Delta Dental of Missouri

DISEASE MANAGEMENT BEHAVIORAL MODIFICATION COACHING

Optum

(Contract ended December 31, 2016)

Board of Trustees



Chairperson
Sarah H. Steelman
Commissioner
Office of Administration
Jefferson City
Ex Officio Member



Vice Chairperson
Mark A. Langworthy
Columbia
Governor-Appointed
Member



Honorable Kip Kendrick
Missouri House of
Representatives
District 045
Appointed by the
Speaker of the House
of Representatives



Honorable David Sater
Missouri Senate
District 029
Appointed by the
President Pro Tem of
the Senate



Viola Schaefer
Jefferson City
Governor-Appointed
Member



Randall W. Williams, MD,
FACOG
Director
Department of Health
and Senior Services
Jefferson City
Ex Officio Member



Chlora Lindley-Myers
Director
Department of Insurance,
Financial Institutions &
Professional Registration
Jefferson City
Ex Officio Member



Linda Luebbering
Jefferson City
Governor-Appointed
Member



Honorable John Rizzo
Missouri Senate
District 011
Appointed by the
President Pro Tem of
the Senate

One House of
Representatives and three
Governor-Appointed
Members were open as of
June 30, 2017.

Summary of Plan Provisions

VISION

To be recognized and valued by our members as their advocate in providing affordable, accessible, quality health care options.

PURPOSE

Established Jan. 1, 1994, the Missouri Consolidated Health Care Plan (MCHCP) or the Plan was created to provide health care benefits to most state employees, retirees and their dependents, and public entities within the state that join the Plan.

MISSION

To provide access to quality and affordable health insurance to state and local government employees. We will accomplish this by:

- Consolidating purchasing power and administration to achieve benefits not available to individual employer members
- Creating collaborations to ensure the needs of individual members are understood and met
- Ensuring fiscal responsibility
- Developing innovative delivery options and incentives
- Identifying and contracting with high-value plans
- Maintaining a high-quality and knowledgeable work force

ADMINISTRATION

MCHCP administers medical, dental and vision benefits and the Strive Employee Life & Family (SELF) program for most members of the Missouri State Employees' Retirement System, Judicial Retirement Plan, some members of the Public School Retirement System, legislators, statewide elected officials and eligible

public entity members. In addition, dental and vision benefits are available to employees and retirees of the Departments of Conservation and Transportation, and the Missouri State Highway Patrol. SELF program benefits are available to active employees eligible for MCHCP medical coverage and members of their household.

Missouri statutes provide that the administration of MCHCP be vested in a 13-member Board of Trustees. The Board is composed of:

- The Director of the Department of Health and Senior Services, serving ex officio
- The Director of the Department of Insurance, Financial Institutions and Professional Registration, serving ex officio
- The Commissioner of the state Office of Administration, serving ex officio
- Two members of the Senate, appointed by the President Pro Tem of the Senate
- Two members of the House of Representatives, appointed by the Speaker of the House of Representatives
- Six members appointed by the Governor with the advice and consent of the Senate. Of the six members appointed by the Governor, three shall be citizens of the state of Missouri who are not members of the Plan but who are familiar with medical issues. The remaining three members of the Board shall be members of the Plan.

The management of MCHCP is the responsibility of the Executive Director, who is appointed by the Board of Trustees and serves at its pleasure.

The Executive Director acts as advisor to the Board on all matters pertaining to MCHCP and, with the approval of the Board, contracts for professional services and employs the staff needed to operate the organization.

MEDICAL PLANS

MCHCP offers three medical plans - the Health Savings Account Plan (HSA) Plan, and two Preferred Provider Organization (PPO) plans - the PPO 600 and the PPO 300. All three of MCHCP's medical plans offer the same benefits, such as:

- 100% coverage of preventive care - such as preventive exams, vaccinations, age-specific screenings and much more - when using a network provider.
- Choice of health care providers, pharmacies and hospitals from a nationwide network, usually at a lower cost.

HEALTH SAVINGS ACCOUNT PLAN (HSA PLAN)

The Health Savings Account (HSA) Plan is a qualified high-deductible plan that gives non-Medicare primary members access to network providers at a lower cost. MCHCP's HSA Plan has a lower or no-cost premium with a higher deductible, when compared to other MCHCP medical plans.

The Internal Revenue Service establishes maximum annual HSA contribution amounts, but there is no limit on the balance of the HSA. MCHCP contributes funds to active employee's HSAs on an annual basis. HSA funds can be used for qualified medical expenses.

PREFERRED PROVIDER ORGANIZATION (PPO) PLANS

MCHCP's PPO plans give MCHCP members access to network providers at a lower cost. The PPO 600 Plan has a moderately-priced premium and the PPO 300 Plan has the highest premium, when compared to other MCHCP medical plans.

The PPO plans have network benefits that require a deductible be met before claims are paid at 90%. Non-network benefits have higher out-of-pocket expenses.

PRESCRIPTION DRUG PLANS

MCHCP medical plan members are automatically enrolled in the prescription drug plan (PDP). Medicare primary members are enrolled in a Medicare Part D PDP. Both non-Medicare and Medicare primary PDPs use a broad network of retail pharmacies and one specialty pharmacy. The drug formulary covers a wide array of drugs and promotes the use of generics.

DENTAL PLAN

The dental plan offers comprehensive dental benefits through a nationwide network of participating providers. Preventive care, such as examinations and cleanings, is covered at 100 percent and does not count toward the plan year maximum benefit amount. Additional cleanings are provided for members who are pregnant, diabetic, have a suppressed immune system or have a history of periodontal therapy. The plan also covers fillings, extractions, root canals, bridges, dentures, crowns, the treatment of gum disease and other services with varying deductibles and coinsurance.

VISION PLAN

The vision plan offers vision benefits through a nationwide network of participating providers. Basic and premium plans are offered with set copayments for services received from network providers and allowances for services obtained from non-network providers. The plan covers examinations, lenses, frames, contact lenses and corrective laser surgery. Members can receive discounts on additional glasses and sunglasses from any provider, accepting those discounts, within 12 months of an eye exam.

STRIVE EMPLOYEE LIFE & FAMILY PROGRAM (SELF)

The Strive Employee Life & Family (SELF) program, previously called the Employee Assistance Program (EAP), is a confidential counseling and referral service that can help employees and their families reduce stress, improve health and enhance life balance. SELF program services are available at no cost to all state employees eligible for MCHCP medical coverage and members of their households. Eligible employees and members of their household can keep using SELF services for 18 months following retirement and through the month after they are laid off. Household members can also use the SELF program for six months after a subscriber's death.

The program offers behavioral health counseling services, legal and financial services, and identity theft and fraud resolution services. The SELF program also offers everyday support through FamilySource® to assist with every day issues such as child and elder care, moving and relocation, making major purchases, vacation planning and much more simply by calling or accessing expert help online.

STRIVE FOR WELLNESS® PROGRAM

The *Strive for Wellness*® program provides evidence-based initiatives and resources designed to help most members better understand and manage their health.

Major strategies focus on empowering members to proactively receive preventive health screenings, manage chronic diseases, and to lead overall healthier lives. *Strive for Wellness*® offers premium reductions for eligible members who participate in the Partnership and Tobacco-Free Incentives.

In addition, the *Strive for Wellness*® team – comprised of expert clinicians and health educators – teaches employees how to make smart lifestyle choices. The team creates Healthy Moment videos, Health Action Campaigns and leads health-education events and related activities, such as blood pressure screenings and an annual state employee 5K Run/Walk. Registered dietitians teach on-site weight management courses several times each year and registered nurses lead quit tobacco courses in state office buildings.

In an effort to broaden wellness opportunities to all state employees, particularly in regions located outside the capitol complex, wellness ambassadors and building wellness teams were created. These individuals and groups help organize on-site activities and services, reaching more employees where they work.

STRIVE FOR WELLNESS® HEALTH CENTER

The *Strive for Wellness*® Health Center brings basic health care to active state employee subscribers enrolled in an MCHCP medical plan. The Center offers routine care for common illnesses, basic preventive care, and behavioral health counseling services, at hours designed to fit into a hectic workday. It is conveniently located in Jefferson City's Harry S Truman Building. Parking passes for reserved spaces are available.





Symmetry

Financial

Report of Independent Auditors



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A MEASURABLE DIFFERENCE™

Independent Auditor's Report

Board of Trustees
Missouri Consolidated Health Care Plan
Jefferson City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of each of the two major funds of Missouri Consolidated Health Care Plan (the "Plan") as of and for the fiscal year ended June 30, 2017, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

AN INDEPENDENT FIRM ASSOCIATED WITH MOORE STEPHENS
MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
BROWN SMITH WALLACE IS A MISSOURI LIMITED LIABILITY PARTNERSHIP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Plan as of June 30, 2017, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

U.S generally accepted accounting principles require management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Introductory and Statistical Sections

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Brown Smith Wallace, LLP

St. Louis, Missouri
December 11, 2017

Management's Discussion & Analysis

Management's Discussion and Analysis provides an overview of the financial position and activities of the Missouri Consolidated Health Care Plan (MCHCP) for the fiscal years ended June 30, 2017, and 2016. The information presented here should be considered in conjunction with the financial statements and notes. MCHCP is a component unit of the state of Missouri and is included in the state's Comprehensive Annual Financial Report (CAFR).

MCHCP's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

FUND ACCOUNTING

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MCHCP, like other discretely presented component units of the state of Missouri (as defined by GASB Statement #14), uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. The Internal Service Fund (ISF) is considered to be a proprietary fund while the State Retiree Welfare Benefit Trusts (SRWBT) is classified as a fiduciary fund. MCHCP does not have any governmental funds.

Proprietary funds. Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers for the provision of those goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting. Of the two types of proprietary funds, MCHCP maintains one type: internal service fund. Internal service funds account for the financing of goods or services provided by one governmental department or agency to another and are expected to be self-supporting through charges to users. MCHCP's purpose is to provide medical insurance benefits to the state of Missouri's and other participating Missouri public entities' employees, retirees, and their dependents.

Fiduciary funds. Fiduciary funds account for assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. Fiduciary fund accounting is similar to that used for proprietary funds. The purpose of the SRWBT is to provide health and welfare benefits for the exclusive benefit of current and retired employees of the state and their dependents who meet eligibility requirements, except for those retired members covered by other post-employment benefit (OPEB) plans of the state.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Plan's basic financial statements. Typically, governmental financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, because the Plan has only proprietary and fiduciary funds, government-wide financial statements are not presented. Proprietary funds present financial statement information in the same manner as government-wide financial statements only with more detail, and government-wide financial statements would be repetitive. In addition, fiduciary funds are not reflected in government-wide financial statements because the resources of that fund are not available to support MCHCP's own programs.

MCHCP presents the ISF and SRWBT on separate fund financial statements. For the ISF, the basic financial statements are comprised of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. For SRWBT, the basic financial statements are comprised of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Notes to the Financial Statements are also part of the basic financial statements and apply to both the ISF and SRWBT. The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles applicable to governmental benefit plans.

The Statement of Net Position and Statement of Fiduciary Net Position present MCHCP's financial position as of the end of the fiscal year for each fund. Information is displayed as assets and liabilities, with the difference between the two reported as net position or deficit. The net position of MCHCP reflect the resources available as of the end of the fiscal year to pay benefits to members when due. Over time, increases and decreases in net position measure whether MCHCP's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position and the Statement of Changes in Fiduciary Net Position present information detailing the revenues and expenses that resulted in the change in net position that occurred during the current fiscal year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a public entity, even though not yet paid by year end, will be reflected as revenue. Likewise, claims that occurred during the fiscal year under self-funded plans will be reflected as an expense, whether or not they have been paid as of the end of the fiscal year.

The Statement of Cash Flows presents the cash inflows and outflows of the ISF categorized by operating, capital and related financing, and investing activities. It reconciles the beginning and end of year cash balances contained in the Statement of Net Position. The effects of accrual accounting are adjusted out and noncash activities, such as depreciation, are removed to supplement the presentation in the Statement of Revenue, Expenses and Change in Net Position. A statement of cash flows is not required for the SRWBT.

The Notes to Financial Statements follow the above basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

The following tables present summarized financial position and results for the fiscal years ending June 30, 2017, and 2016. Additional details are available in the accompanying basic financial statements.

Summary Comparative Statements of Net Position

Current assets for the ISF decreased for the year ended June 30, 2017, due to decreases in cash and cash equivalents as a result of operating activities. Capital asset increases in fiscal year 2017 reflect purchases in technology and data protection.

With the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* during fiscal year ended June 30, 2015, the Plan has recognized deferred outflows of resources for pension contributions made and expensed of \$2,562,281 and \$967,148, respectively for the periods ended June 30, 2017, and 2016. Changes in economic and demographic pension assumptions contributed to the increase for the period ended June, 30, 2017.

Accrued medical claims and fees remained relatively stable for the ISF for the year ended June 30, 2017, over 2016, as health risk profiles of plan participants for the period and estimates are reflective of the active enrollment and medical trend projections during the year.

Unearned premiums and other liabilities for the periods ended June 30, 2017, and 2016 are primarily influenced by the state's contribution at June 30th for each of the years ended and the level of contribution applicable to each receipt. For the ISF unearned premiums at June 30, 2017, decreased slightly over fiscal year 2016, due primarily to the state's contribution at June 30, 2016, and the respective levels of appropriated funding from the state included with these receipts. Unearned premiums and other liabilities are most significantly influenced by the state's payroll cycle and the amount, timing, and enrollment mix of receipt of premium payments to MCHCP prior to the effective date of coverage.

Noncurrent liabilities existing at June 30, 2017, and 2016 reflect the Plan's net pension liability related to GASB 68, *Accounting and Financial Reporting for Pensions*.

Net position represents the value of the ISF's assets after liabilities are deducted. The decrease in net position for the ISF at June 30, 2017, over 2016, is primarily the result of increases in medical and pharmacy expenses associated with utilization and claim unit costs and their impact on plan assets and liabilities.

Summary Comparative Net Position

Internal Service Fund

	As of June 30, 2017	As of June 30, 2016	Amount of Change	Percentage Change
ASSETS				
Current assets	\$147,011,197	\$193,798,783	(\$46,787,586)	(24.14%)
Capital assets	283,032	221,396	61,636	27.84
Deferred Outflow of Resources	2,562,281	967,148	1,595,133	164.93
Total Assets and Deferred Outflow of Resources	\$149,856,510	\$194,987,327	(\$45,130,817)	(23.15%)
LIABILITIES				
Accrued medical claims & fees	\$45,570,385	\$45,047,622	\$522,763	1.16%
Unearned premiums & other liabilities	34,435,011	35,921,221	(1,486,210)	(4.14)
Total current liabilities	80,005,396	80,968,843	(963,447)	(1.19)
Total noncurrent liabilities	7,265,764	5,133,995	2,131,769	41.52
Deferred Inflow of Resources	139,784	101,543	38,241	37.66%
Total Liabilities and Deferred Inflow of Resources	\$87,410,944	\$86,204,381	\$1,206,563	1.40%
NET POSITION				
Unrestricted	\$62,162,534	\$108,561,550	(\$46,399,016)	(42.74%)
Net investment in capital assets	283,032	221,396	61,636	27.84
Total Net Position	62,445,566	108,782,946	(46,337,380)	(42.60)
Total Liabilities and Net Position	\$149,856,510	\$194,987,327	(\$45,130,817)	(23.15%)

Summary Comparative Statement of Fiduciary Net Position

Cash and cash equivalents increased primarily to the timing of investment strategies and activity as approved by the Board of Trustees and performed by the Plan's investment manager. Investments increased at June 30, 2017, by more than 6% due to the overall performance of the fund and the concentration mix of scheduled available assets.

Prescription drug rebates for the SRWBT increased during fiscal year 2017, as a result of the Plan's increases in pharmacy and specialty drug expenditures and the related direct and coverage gap discounts associated with those payments. Contractual improvements associated with pharmacy market check provisions increased per script returns while bolstering rebate revenues.

Contractual market check provisions associated with retail brand scripts increased prescription drug rebates for the SRWBT and are the primary influencers of the increase in net position at June 30, 2017, to more than \$125 million compared to approximately \$117 million at June 30, 2016.

Summary Comparative Fiduciary Net Position

State Retiree Welfare Benefit Trust

	As of June 30, 2017	As of June 30, 2016	Amount of Change	Percentage Change
ASSETS				
Cash and cash equivalents	\$3,285,304	\$2,313,857	\$971,447	41.98%
Due from MCHCP	13,934,817	14,373,197	(438,380)	(3.05)
Investments, at fair value	108,230,737	101,819,021	6,411,716	6.30
RECEIVABLES				
Prescription drug rebates	\$13,623,895	\$12,586,054	\$1,037,841	8.25%
Other receivables	302,607	266,384	36,223	13.60
Total receivables	13,926,502	12,852,438	1,074,064	8.36
Total Assets	\$139,377,360	\$131,358,513	\$8,018,847	6.10%
LIABILITIES				
Accrued medical claims & capitation fees	\$9,888,000	\$10,107,000	(\$219,000)	(2.17%)
Unearned revenue	3,846,217	3,917,668	(71,451)	(1.82)
Other liabilities	200,600	348,529	(147,929)	(42.44)
Total Liabilities	\$13,934,817	\$14,373,197	(\$438,380)	(3.05%)
Net Position, held in trust for other post-employment benefits	\$125,442,543	\$116,985,316	\$8,457,227	7.23%

Summary Comparative Statements of Revenue, Expenses & Changes in Net Position

State/Employer contributions for fiscal years 2017 and 2016, for the ISF totaled \$327,233,709 and \$324,857,578, respectively. Funding for the years represented are attributable to the state's appropriation to fund the claims costs and operations expense attributable to state employee health benefits. Ultimately, claims costs for state employees are backed by the state of Missouri should State/Employer contributions not be sufficient to cover claims expenditures and operational costs.

Member contributions for the ISF for the years ended June 30, 2017, and 2016, are influenced primarily by total enrollment, the mix of enrollment, the relative plan design for the respective years, and the state's commitment to providing a pathway for maintaining premium contributions through employer subsidy and employee participation in wellness initiatives.

Public entity enrollment at June 30, 2017, decreased approximately six percent over enrollment at June 30, 2016, resulting in more than a five percent reduction in premium. Public entity contributions for the years ended June 30, 2017, and 2016 were \$7,468,778 and \$7,904,470, respectively.

Pharmacy rebate increases at June 30, 2017, over 2016 are primarily influenced by the Plan's increased prescription drug expenditures, active enrollment, and the related contractual rebate improvements.

Medical claims and capitation expense increased by more than five percent during fiscal year 2017, and was primarily related to the Plan's increased expenditures related to high cost claimants, increased cost due to change in unit costs and/or service mix and specialty pharmacy drugs. The Plan's health risk distribution also shows an increase in at risk, struggling and crisis health conditions in the Plan membership contributing to increases in medical and pharmacy expenditures for the year.

Summary Comparative Statement of Revenue, Expenses & Changes in Net Position

Internal Service Fund

	Year ended June 30, 2017	Year ended June 30, 2016	Amount of Change	Percentage Change
OPERATING REVENUES				
State/employer contributions	\$327,233,709	\$324,857,578	\$2,376,131	0.73%
State employee/member contributions	80,960,318	83,815,598	(2,855,280)	(3.41)
Public entity contributions	7,468,778	7,904,470	(435,692)	(5.51)
Subcontractor & other rebates	17,365,478	13,500,867	3,864,611	28.62
Total Operating Revenues	\$433,028,283	\$430,078,513	\$2,949,770	0.69%
OPERATING EXPENSES				
Medical claims & capitation expense	\$473,663,080	\$450,689,581	\$22,973,499	5.10%
General & administration expense	6,596,560	7,210,395	(613,835)	(8.51)
Total Operating Expenses	\$480,259,640	\$457,899,976	\$22,359,664	4.88%
Operating loss	(47,231,357)	(27,821,463)	(19,409,894)	69.77
Investment income & other changes	893,977	1,173,043	(279,066)	(23.79)
Excess of revenues over expenses	(46,337,380)	(26,648,420)	(19,688,960)	73.88
Net position, beginning of the year, adjusted	108,782,946	135,431,366	(26,648,420)	(19.68)
Net Position, end of year	\$62,445,566	\$108,782,946	(\$46,337,380)	(42.60%)

Summary Comparative Statement of Changes in Fiduciary Net Position

Employer contributions for the SRWBT for the years ended June 30, 2017, and 2016, respectively were \$67,398,726 and \$66,199,740 and are attributable to the state's appropriation to fund the claims costs and operations expense attributable to state employee retiree health benefits. Ultimately, claims costs for state employees are backed by the state of Missouri should State/Employer contributions not be sufficient to cover claims needs.

MCHCP participates in a Medicare Prescription Drug Plan to provide coverage to Medicare-primary retirees and dependents. The program anticipates greater savings to the employer over the historical retiree drug subsidy (RDS). During fiscal years 2017 and 2016 the SRWBT received \$30,514,297 and \$29,696,367 for retiree drug subsidy and other rebates.

Medical claims and capitation expense increased for the SRWBT by more than eight percent during fiscal year 2017, primarily due to increased retiree enrollment in the SRWBT and the Plan's increased expenditures for high cost claimants, increased cost due to change in unit costs and/or service mix and specialty pharmacy drugs.

Summary Comparative Statement of Change in Fiduciary Net Position

State Retiree Welfare Benefit Trust

	Year ended June 30, 2017	Year ended June 30, 2016	Amount of Change	Percentage Change
ADDITIONS				
Employer contributions	\$67,398,726	\$66,199,740	\$1,198,986	1.81%
Retiree contributions	52,169,890	51,446,647	723,243	1.41
Investment income	7,838,782	2,275,792	5,562,990	244.44
Retiree drug subsidy & other rebates	30,514,297	29,696,367	817,930	2.75
Total Additions	\$157,921,695	\$149,618,546	\$8,303,149	5.55%
DEDUCTIONS				
Medical claims & capitation expense	\$142,154,216	\$131,451,967	\$10,702,249	8.14%
Claims administration services	4,325,639	4,892,410	(556,771)	(11.58)
Administration & other	2,984,613	3,193,562	(208,949)	(6.54)
Total Deductions	\$149,464,468	\$139,537,939	\$9,926,529	7.11%
Net increase	8,457,227	10,080,607	(1,623,380)	(16.10)
<i>Net position held in trust for other post-employment benefits</i>				
Beginning of year	116,985,316	106,904,709	10,080,607	9.43
End of year	\$125,442,543	\$116,985,316	\$8,457,227	7.23%

SUMMARY

MCHCP remains committed to providing comprehensive and affordable health care to the members we serve, effectuating sound fiscal practices as stewards of Plan resources, and remaining diligent in our efforts in providing member education to facilitate member satisfaction and cost containment. Wellness programs are incorporated in an effort to promote healthy member outcomes, engage members in their health, and to promote cost containment. Operating expenses and vendor costs remained relatively stable due to competitive procurement with investments in technology and automation in Plan operations. Medical and pharmacy cost increases reflect expected fluctuations due to increases in high cost claimants, the emergence of specialty drug cost prevalence and anticipated medical claim trends. Increases associated with self-funded expenditures, are indicative of the attention to health risk profiles of the MCHCP population and management initiatives surrounding benefit design and wellness. For more than three years, the Plan's *Strive for Wellness* Health Center has offered an additional opportunity to promote appropriate utilization, provide members with additional access to services, while continuing to pursue avenues for cost containment. The Health Center continues to report optimum member satisfaction results in excess of 99% while continuing to provide opportunities for members to pursue health management in a convenient setting.

MCHCP's cash is invested conservatively to preserve principal and maintain liquidity. In addition, the Plan utilizes a master investment policy and instruments are predicated on an asset allocation model approved by the Board of Trustees. Investment income for the ISF and SRWBT consists of interest income, unrealized gains and losses in fair value, accretion of discounts, and amortization of premiums. Investment income for the ISF and the SRWBT in total was realized in the amount of \$8,732,758 and \$3,448,835 for the fiscal year's ended June 30, 2017, and 2016, respectively, and is predicated on the availability of investable assets and the economic conditions influencing market conditions.

MCHCP's actuary reviews the financial assets of MCHCP in conjunction with obligations and the funding available as provided by the Missouri General Assembly. Due to the state of economic conditions facing the state, the MCHCP, members of the General Assembly, and the state's Office of Budget and Planning meet regularly to discuss funding needs and projected claims expenditures in an effort to develop funding levels for the Plan. Ultimately, the funding of claims costs are backed by the state of Missouri should contributions be unable to meet claims obligations.

During the years presented, MCHCP faced a tightened state budget, which compelled it to continue to pursue opportunities in cost containment, member engagement in healthy outcomes and changes to benefit offerings. Combined with expected continued escalation in health care costs, MCHCP faces significant challenges in an effort to provide affordable health care coverage to its members. As a result, MCHCP has explored a full range of viable options to accommodate the state budget while continuing to offer comprehensive and affordable coverage to its members. Wellness programs that encourage member engagement are the progressive instrument to continue to foster healthier outcomes and reduce claims expenditures. MCHCP's wellness incentives are designed to incorporate and promote best in class initiatives. The overall financial position of MCHCP is reliant upon state funding, cost containment and comprehensive benefits review of the self-funded programs to continue to generate a healthier membership in MCHCP.



REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of MCHCP's financial position for all those with an interest in MCHCP. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Missouri Consolidated Healthcare Plan, 832 Weathered Rock Court, PO Box 104355, Jefferson City, Missouri 65110-4355.

Statement of Net Position

Internal Service Fund as of June 30, 2017

ASSETS

Current Assets

Cash & cash equivalents	\$98,891,194
Investments, at fair value	37,905,009
Rebates & other receivables	10,024,576
Prepaid expenses	190,418
Total Current Assets	<u>\$147,011,197</u>

Noncurrent Assets

Capital Assets

Furniture, fixtures & equipment, net of accumulated depreciation of \$2,079,766	283,032
Total Noncurrent Assets	<u>\$283,032</u>

Deferred Outflow of Resources	2,562,281
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Total Assets and Deferred Outflow of Resources	\$149,856,510
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LIABILITIES

Current Liabilities

Accrued medical claims & capitation fee expense	\$45,570,385
Accounts payable & accrued expenses	862,338
Due to SRWBT	13,934,817
Deferred premium revenue	19,637,856
Total Current Liabilities	<u>\$80,005,396</u>

Noncurrent Liabilities

Net pension liability	7,265,764
Total Noncurrent Liabilities	<u>\$7,265,764</u>

Deferred Inflow of Resources	139,784
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Total Liabilities and Deferred Inflow of Resources	\$87,410,944
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Net Position

Unrestricted	\$62,162,534
Accounts payable & accrued expenses	283,032
Total net position	<u>\$62,445,566</u>

Total Liabilities, Deferred Inflow of Resources and Net Position	\$149,856,510
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The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenses & Change in Net Position

Internal Service Fund year ended June 30, 2017

Operating Revenues

State/employer contributions	\$327,233,709
Member contributions	80,960,318
Public entity contributions	7,468,778
Pharmacy rebates	17,365,478
Total Operating Revenues	<u>\$433,028,283</u>

Operating Expenses

Medical claims & capitation expense	\$462,217,654
Claims administration services	11,445,426
Payroll & related benefits	3,580,771
Health management	790,536
Administration	825,791
Professional services	862,896
Employee assistance program	536,566
Total Operating Expenses	<u>\$480,259,640</u>
Operating revenues over (under) operating expenses	(47,231,357)

Non-Operating Revenues

Investment & other income	893,977
Change in net position	(46,337,380)
Net position, beginning of year	108,782,946

Net Position, End of Year	<u>\$62,445,566</u>
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The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

Internal Service Fund year ended June 30, 2017

Cash Flows from Operating Activities

Cash received from employer & members	\$430,556,729
Cash payments for medical claims & capitation fee payments	(461,694,891)
Cash payments to employees for services	(3,005,894)
Cash payments to other suppliers of goods & services	(15,460,722)
Net Cash Used by Operating Activities	(\$49,604,778)

Cash Flows from Noncapital Financing Activities

Changes in amounts due to SRWBT	(438,380)
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Cash Flows from Capital & Related Financing Activities

Purchase of furniture, fixtures & equipment	(185,034)
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Cash Flows from Investing Activities

Cash received from investment income; net of investment expenses	1,404,867
Purchase of investments	(9,930,151)
Proceeds from investments	9,372,528
Net cash provided by Investing Activities	847,244
Net decrease in Cash & Cash equivalents	(49,380,948)
Cash & Cash Equivalents, Beginning of Year	148,272,142

Cash & Cash Equivalents, End of Year	\$98,891,194
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Reconciliation of Operating Loss to

Net Cash Used by Operating Activities

Operating revenues under operating expenses	(47,231,357)
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Adjustments

Adjustments to net cash used by operating activities

Depreciation	123,399
Pension expense	1,086,721

Changes in Assets & Liabilities

Rebates & other receivables	(2,489,353)
Prepaid expenses	(57,258)
Accrued medical claims & capitation fees	522,743
Accounts payable & accrued expenses	(1,065,648)
Unearned premium revenue	17,818
Deferred outflows - contributions after the measurement date	(511,843)

Total Adjustments	(2,373,421)
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Net Cash Used By Operating Activities	(\$49,604,778)
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Noncash investing, capital & financing activities

Change in fair value of investment	490,311
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The accompanying notes are an integral part of the financial statements.



Statement of Fiduciary Net Position

State Retiree Welfare Benefit Trust as of June 30, 2017

ASSETS

Cash & cash equivalents	\$3,285,304
Due from MCHCP	13,934,817
Investments, at fair value	
Mutual Funds	24,204,978
Equities	19,142,900
Corporate	10,821,377
Collateralized mortgage obligations	11,518,001
U.S. Government guaranteed mortgages	11,780,794
U.S. Agencies	30,762,687
Receivables	
Prescription drug rebates	13,623,895
Other receivables	302,607
Total Assets	<u>\$139,377,360</u>

LIABILITIES

Accrued medical claims & capitation fees	\$9,888,000
Unearned revenue	3,846,217
Other liabilities	200,600
Total Liabilities	<u>\$13,934,817</u>

Net Position, Held in Trust For Other Post-Employment Benefits	\$125,442,543
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The accompanying notes are an integral part of the financial statements.

Statement of Change in Fiduciary Net Position

State Retiree Welfare Benefit Trust as of June 30, 2017

Additions

Employer contributions	\$67,398,726
Retiree contributions	52,169,890
Investment income	7,838,782
Retiree drug subsidy & other rebates	30,514,297
Total Additions	<u>\$157,921,695</u>

Deductions

Medical claims & capitation expense	\$142,154,216
Claims administration services	4,325,639
Administration & other	2,984,613
Total Deductions	<u>\$149,464,468</u>

Net Increase

Net Position Held in Trust for Other Post Employment Benefits	8,457,227
Beginning of Year	116,985,316

End of Year	\$125,442,543
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The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. GENERAL INFORMATION

The Missouri Consolidated Health Care Plan (the Plan or MCHCP) was statutorily created and organized on January 1, 1994, with the purpose of providing medical insurance benefits to the state of Missouri's employees, retirees and their dependents as well as other Missouri public entity employees, retirees and their dependents. Prior to 1994, medical insurance benefits for the state's employees, retirees and their dependents were provided by Missouri State Employees' Retirement System (MOSERS) medical care plan. On January 1, 1994, through a transfer agreement between the Plan and MOSERS, all medical care plan assets and liabilities were transferred to the Plan.

The Plan currently has approximately 95,000 active and retired state members and dependents, 1,016 public entity members and dependents, and more than 96,000 covered lives, and is funded through both employer and employee contributions. Through December 31, 1994, all Plan members were state employees, retirees and their dependents. Beginning January 1, 1995, additional members included public entity employees, retirees and dependents.

State contribution rates are based on the state's approved appropriation and the number of anticipated participants. State employee and public entity contribution rates are established by the Plan's Board of Trustees based on contractor bids for the plan year and budgeted employer contributions.

MCHCP is a risk pool and administers an "agent multiple employer plan" because each employer remains individually responsible for financing its own commitment to provide benefits to its participants, including any eligible retirees. As a result of the implementation of GASB Statement No. 43, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, MCHCP created a separate fiduciary trust fund (State Retiree Welfare Benefit

Trust, or SRWBT) to handle the post-employment benefits for State employees. GASB Statement No. 43, was superseded when in June 2015, GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is to be instrumental in improving financial reporting by state and local governmental postemployment benefit plans other than pension plans. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was also issued in June 2015 adding the requirement of recognition for the Other Postemployment Benefits (OPEB) liability in its entirety and a more comprehensive measurement of OPEB expense effective for the fiscal year ended June 30, 2018. The Plan's adoption of GASB 74 during fiscal year 2017 required additional note disclosures and additional information being added for the Net Postemployment Benefits Liability in the required supplementary information section of this report.

SRWBT was established and organized on June 27, 2008, pursuant to the Revised Statutes of Missouri (2000) as amended ("RSMo") 103.003 through 103.178 to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the state and their dependents who meet eligibility requirements except for those retired members covered by other (OPEB) plans of the state. The SRWBT is considered a cost-sharing multiple employer plan because it covers various state agencies and legally separate component units. It is administered by Plan staff under the direction of the Plan Board of Trustees. The SRWBT does not issue a separate audited financial report.

The net position and activity related to active participants are reported in the Internal Service Fund (ISF), and the net position and activity related to retired participants are reported in the SRWBT in the accompanying financial statements. In the following

footnotes, the term “the Plan refers to both the ISF and SRWBT. Disclosures that are specific to the ISF or SRWBT are separately noted.

The Plan is considered a part of the state’s financial reporting entity and is included in the state’s financial report as a component unit. As the Plan is considered a political subunit of the state and provider of essential governmental services, it is not subject to federal income taxes, nor to the provisions of the Employee Retirement Income Security Act of 1974. The Plan is administered according to Missouri statutes. These statutes do not include a provision for the termination of the Plan.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Internal Service Fund (ISF) are intended to present the financial position and the changes in cash flows of only that portion of the activities attributable to the transactions of the ISF. The ISF is accounted for as a proprietary fund.

The Plan’s financial statements for the ISF were prepared using the accrual basis of accounting, in accordance with GAAP, as prescribed by the Governmental Accounting Standards Board (GASB).

Effective for fiscal year ended June 30, 2015, the Plan adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment to GASB Statement No. 27, which enhances accounting and financial reporting by state and local governments for pensions and improves information provided by the state and local governmental employers about financial support for pensions provided by other entities. The Plan recognizes a long term liability for the net pension liability in the Statement of Net Position. See Note J for additional details regarding the Plan’s retirement plan. Effective for fiscal year ended June 30, 2016, the Plan adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which intends to improve financial reporting by requiring governments to account and report utilizing a consistent and more detailed definition of fair value and accepted valuation techniques. Adoption resulted in additional note disclosures in Note C to display investments by the category of measurement hierarchy.

The financial statements of the SRWBT are intended to present the financial position and the changes in cash flow of only that portion of the activities attributable to the transactions of the SRWBT.

Benefits and refunds of the SRWBT are recognized when due and payable in accordance with the terms of the plan. The SRWBT is accounted for as a fiduciary fund. Accordingly, the financial statements are prepared using the accrual basis of accounting in conformity with GAAP.

B. METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value on a trade-date basis with changes in fair value recorded in investment income on the statement of revenues, expenses and change in net position. Investments are recorded at fair value as determined by quoted market price, when available, or estimated fair value when not available. Many factors are considered in arriving at that fair market value. In general, however, bonds and mortgages are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Realized gains and losses are based on the specific identification basis. The calculation of realized gains and losses is independent of the calculation of the change in net unrealized gains and losses.

C. DEPOSITS & INVESTMENTS

The Plan considers all highly liquid investments, readily convertible into cash with original maturities of three months or less, to be cash equivalents.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan would not be able to recover deposits or collateral securities in the possession of an outside party. In an effort to mitigate custodial credit risk, the Plan requires the bank to sweep the accounts each night into overnight repurchase agreements for which the underlying securities must be of the type approved by the State. All remaining cash balances are to be insured or appropriately collateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, the Plan would not be able to recover the value of investments or collateral securities in the possession of an outside party. The Plan does not have a formal policy regarding custodial credit risk. However, the bank acting as the investment manager has been

approved by the Plan's Board of Trustees.

Deposits

Cash balances represent operating bank account balances. To maximize investment income, the float caused by outstanding checks is invested in overnight repurchase agreements, thus causing a negative carrying value.

At June 30, 2017, cash held in the financial institution had a bank balance of \$128,774 and a carrying value of (\$14,576,216). Of the bank balance, \$128,774 was covered by federal depository insurance. The remaining \$116,752,714 of cash and cash equivalents are held in repurchase agreements and fully collateralized with securities held by a third-party financial institution in the Plan's name.

The Plan's contracted yield on its overnight repurchase agreements was 20 basis points above the prevailing 91-day U.S. Treasury Bill rate as of June 30, 2017.

Investments

The Plan's investment policy for the ISF is predicated on the primary objectives of safety, liquidity, and yield, in order of priority. Investments in bankers' acceptances and commercial paper are required to mature and become payable not more than 180 days from the date of purchase. All other investments are required to mature and become payable not more than five years from the date of purchase. The weighted average life should not exceed three years and should be consistent with the investment objectives.

The Board of Trustees adopted an asset allocation model for the SRWBT that implemented a moderate investment approach allocating 33 percent to equities. This approach was approved to steadily increase the exposure of the SRWBT to higher return asset classes over time. Exposure to equities will be through a combination of actively managed index funds and/or exchange traded funds that are highly rated and reviewed regularly. Allocations are back-tested, and

future assets are projected in all models. The Plan follows the “prudent person” rule for investment decisions. Essentially, the Plan operates as a prudent person acting in a like capacity and familiar with similar matters would act in the conduct of an enterprise of a like character and with like aims. Any

person with fiduciary responsibilities with respect to the Plan is covered by this “prudent person” rule. As of June 30, 2017, the Plan had the following investments as presented below.

Investments

Internal Service Fund

	2017 Fair Value
Investments	
U.S. Agencies	\$18,479,856
U.S. Government Guaranteed Mortgages	2,495,229
U.S. Treasury	16,929,924
Total Investments	\$37,905,009

Investments

State Retiree Welfare Benefit Trust

	2017 Fair Value
Investments	
U.S. Agencies	\$30,762,687
U.S. Government Guaranteed Mortgages	11,780,794
Corporate	10,821,377
Collateralized Mortgage Obligations	11,518,001
Equities	19,142,900
Mutual Funds	24,204,978
Total Investments	\$108,230,737

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the ISF's investment in a single issue. To mitigate this risk, the ISF's investment policy provides general guidelines on diversification.

Investments in U.S. Treasuries and securities, collateralized time and demand deposits, and collateralized repurchase agreements can constitute up to 100 percent of the investment portfolio; U.S. government agencies, including mortgage-backed securities, cannot exceed 60 percent of the portfolio; and U.S. government agency callable securities, bankers' acceptances and commercial paper cannot exceed 30 percent of the portfolio. The SRWBT has implemented an investment approach allocating 33 percent to equities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan minimizes this risk by only authorizing investment types approved by the Treasurer of the state of Missouri, limiting investments to the safest types of securities, and diversifying the portfolio so potential losses on individual securities will be minimized. The Plan's investments by credit rating category as of June 30, 2017, are presented on the following page.

Credit Risk

Internal Service Fund

	2017 Fair Value	2017 Ratings
Investments		
U.S. Agencies	\$18,479,856	Aaa
U.S. Government Guaranteed Mortgages	2,495,229	Aaa
U.S. Treasury	16,929,924	-
Total Investments	\$37,905,009	

Credit Risk

State Retiree Welfare Benefit Trust

	2017 Fair Value	2017 Ratings
Investments		
U.S. Agencies	\$30,762,687	Aaa
U.S. Government Guaranteed Mortgages	11,780,794	Aaa
Corporate	10,821,377	A+
Collateralized Mortgage Obligations	11,518,001	Aaa
Equities	19,142,900	A
Mutual Funds	24,204,978	3-Star
Total Investments	\$108,230,737	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan minimizes this risk by structuring the portfolio so securities mature to meet cash requirements for ongoing operations, using cash flow modeling to moderate the interest rate risk by reducing any unanticipated security sales that could result in a loss of principal and, maintaining the operating funds primarily in repurchase agreements according to the banking contract.

For the interest rate risk measurement for the Plan, the contracted financial institution employs the duration method. The maturities of the Plan's investments as of June 30, 2017, are presented below.

Interest Rate Risk

Internal Service Fund

	2017 Fair Value	2017 Duration
Investments		
U.S. Agencies	\$18,479,856	2.04
U.S. Government Guaranteed Mortgages	2,495,229	1.77
U.S. Treasury	16,929,924	1.42
Total Investments	\$37,905,009	

Interest Rate Risk

State Retiree Welfare Benefit Trust

	2017 Fair Value	2017 Duration
Investments		
U.S. Agencies	\$30,762,687	5.40
U.S. Government Guaranteed Mortgages	11,780,794	4.25
Corporate	10,821,377	4.98
Collateralized Mortgage Obligations	11,518,001	4.20
Equities	19,142,900	-
Mutual Funds	24,204,978	-
Total Investments	\$108,230,737	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan has no investments subject to foreign currency risk.

Fair Value Measurement

MCHCP categorizes its fair value measurements with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application*. The hierarchy for fair value is as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets available at the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model derived valuations in which all significant inputs are corroborated by observable market data

Level 3 - Valuations derived from valuation methodology in which significant inputs are unobservable.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified with Level 1 of the fair value hierarchy. MCHCP's Level 1 investments primarily consist of investments in U.S. Treasury obligations for the ISF and U.S. Treasury obligations, equity securities, and mutual funds for the SRWBT. When quoted prices in active markets are not available, fair values are based on evaluated prices received from MCHCP's custodian of investments in conjunction with a third party pricing service and are reported with Level 2 of the fair value hierarchy. The inputs for Level 2 include, but are not limited to, pricing models such as benchmarking yields, reported trades, broker-dealer quotes, issuer spreads and benchmarking securities, among others. MCHCP's Level 2 investments consist of investments for both the ISF and SRWBT of U.S Agency and Mortgage Backed Securities and additionally for the SRWBT Corporate and Collateralized Mortgage Obligations. MCHCP did not maintain any Level 3 investments.

Investments

Internal Service Fund

Fair value measurement at report date using

	Fair Value June 30, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments				
US Government Agencies (AGCY)	\$18,479,856	-	\$18,479,856	-
Mortgage Backed Securities (MBS)	2,495,229	-	2,495,229	-
US Treasury (TRSY)	16,929,924	16,929,924	-	-
Total	\$37,905,009	\$16,929,924	\$20,975,085	-

Investments

State Retiree Welfare Benefit Trust

Fair value measurement at report date using

	Fair Value June 30, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments				
US Government Agencies (AGCY)	\$30,762,687	-	\$30,762,687	-
Mortgage Backed Securities (MBS)	11,780,794	-	11,780,794	-
Corporate (CORP)	10,821,377	-	10,821,377	-
Collateralized Mortgage Obligations (CMO)	11,518,001	-	11,518,001	-
Equity (PFD)	19,142,900	19,142,900	-	-
Exchange Traded Products (ETPS)	24,204,978	24,204,978	-	-
Total	\$108,230,737	\$43,347,878	\$64,882,859	-

D. Interfund Activity & Balances

The ISF provides all administrative responsibilities related to SRWBT, which has no separate facilities or staff. Expenses directly attributable to SRWBT are charged to SRWBT. Other operating expenses, including personnel, are allocated between the ISF and the SRWBT based on participant counts for retired and active participants.

The balance of the inter fund receivable/payable represents the excess of SRWBT contributions collected by the ISF Plan over expenses paid by the ISF Plan for SRWBT.

E. Receivables

Beginning January 1, 2014, the Plan began offering an Employer Group Waiver Plan (EGWP), a Medicare

Part D prescription drug plan (PDP) to Medicare eligible retirees and covered Medicare eligible dependents. Estimated revenue is recognized as the SRWBT incurs Medicare eligible retiree prescription drug expenditures. In addition, the Plan receives rebates from its pharmacy benefit manager related to manufacturers' rebates and other guaranteed rebates for non-Medicare Part D prescriptions. For the year ended June 30, 2017, these rebates are allocated between the ISF and the SRWBT based upon their respective claims activity. Estimated revenue is recognized for rebates based on prescription claims counts, historical average rebate per claim, and actual receipts.

Other receivables include interest income and member premium amounts.

F. Furniture, Fixtures & Equipment

Furniture, fixtures and equipment are capitalized at cost when acquired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are depreciated over a 10-year useful life. Data processing equipment is depreciated over a five-year useful life. The threshold for the capitalizing of fixed assets is \$1,000.

Maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or retired are removed from the related accounts, and the resulting gains or losses are reflected as non-operating gains or losses in the statement of revenues, expenses and change in net position. The changes in Furniture, Fixtures and Equipment for the year ended June 30, 2017, are as presented in the chart below.

Furniture, Fixtures & Equipment

Missouri Consolidated Health Care Plan

	2017
Additions	
Balance, beginning of year	\$2,655,858
Additions	185,035
Deletions	(478,095)
Balance, End of Year	\$2,362,798
Accumulated Depreciation	
Balance, beginning of year	\$2,434,462
Depreciation expense	123,399
Deletions	(478,095)
Balance, End of Year	\$2,079,766

G. Plan Funding

State Appropriations/Contributions

Funds are appropriated to the Plan by the Missouri State General Assembly. Premiums are received one-half prior to the month of coverage and one-half during the month of coverage. Funds are received by the Plan every two weeks and coincide with the state's payroll cycle. The state's monthly per-member active contribution for fiscal year 2017, averaged \$723 per

month. The state's contribution per member to fund the current fiscal year cost of retiree plan benefits for the year ended June 30, 2017, averaged 4.14 percent of active employee covered payroll.

The state did not provide additional funding towards future OPEB benefits for the period ended June 30, 2017. All state appropriations are available to pay benefits for both active and retired participants except for the amounts contributed to fund the OPEB reserve.

Member Premiums

Monthly member premiums for state employees are established annually by the Plan's Board of Trustees. These premiums are deducted from employee payroll checks in advance. Additionally, the Plan bills members who are not receiving payroll checks two weeks in advance.

Public Entity Premiums

Monthly public entity premiums are established annually by the Plan's Board of Trustees. The Plan bills the public entities two weeks in advance.

Deferred Premium Revenue

Deferred premium revenue includes premium revenue from the state, members, and public entities, received in advance of the month coverage is provided.

Operating/Non-operating Revenues

Operating revenues and expenses reflect items directly related to providing health benefits to members. Non-

operating revenues and expenses represent investment income and other items not directly related to providing health benefits to members.

H. Other Post-Employment Benefits

Employees may participate in state-sponsored medical coverage in retirement based on Plan criteria. At June 30, 2017, there were 21,132 retirees and their dependents who met these eligibility requirements.

For the year ended June 30, 2017, expenditures (net of retiree contributions) of \$142.4 million were recognized for post-retirement medical insurance coverage under the self-funded PPO, and less than \$23,000 under the fully insured PPO option.

Projections include a broad array of complex social and economic events, such as the emergence of new and expensive medical procedures and prescription drug options, changes in investment rates of return, and other uncertainties. As such, the estimate of post-retirement program costs contains considerable

uncertainty and variability, and actual experience may vary significantly from the current estimated obligation. Additional information as of the latest actuarial valuation is presented on the following page.



Summary of Key Actuarial Methods & Assumptions

State Retiree Welfare Benefit Trust

Valuation Year

July 1, 2016 - June 30, 2017

Actuarial cost method	Entry age normal, level percentage of payroll
Amortization method	30 years, open, level percent of pay
Asset Valuation method	Market value

Actuarial Assumptions

Discount rate	5.7%
Projected payroll growth rate	4.0%
Inflation Rate	3.0%

Health care cost trend rate (Medical & prescription drugs combined)

Non-Medicare is 6.5% for fiscal year 2017; the rate decreases by 0.25% per year to an ultimate rate of 5.0% in Fiscal 2023 and later. Medicare is 7.5% for fiscal year 2017; the rate decreases by 0.25% per year to an ultimate of 5.0% in fiscal year 2027 and after.

Employer Disclosures

Participating employers, upon their implementation of GASB No. 45, were required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used. Employer disclosures for MCHCP can be found in footnote M.

I. Medical Claims & Capitation

As of June 30, 2017, the Plan insured approximately 91 percent of its members through PPO contracts. Third-party administrators are paid a contracted administrative fee per subscriber for the self-insured contracts, with the Plan bearing all administrative and medical claims costs of providing coverage to the

members. Enrollment in the High Deductible Health Plan was approximately 9% for the year ended June 30, 2017.

The liability for estimated accrued claims and processing costs is based on an actuarial estimate of the ultimate cost of settling such claims due and payable as of the balance sheet date (including claims reported and in process of settlement, claims reported but not yet processed for settlement, and claims incurred for services provided but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment and utilization. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that actual results of the settlement of the claims are made and are known.

As of June 30, 2017, \$3,349,385 is included in accrued medical claims and capitation fee expenses for accrued PPO capitation expenses. Additionally, \$52,109,000 at June 30, 2017, is included in estimated accrued medical costs for claims incurred but not yet paid under the Plan's self-funded products. Although management believes these estimates are adequate, the ultimate liability may be more or less than the amounts recorded.

The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current operations. Contingent liabilities exist with respect to claims covered under the Plan in the event a contracted provider or carrier is unable to meet its obligations to the Plan. Changes in estimated accrued claims for fiscal year 2017 is presented below.

Summary of Changes in Estimated Accrued Claims

Internal Service Fund

Balances

Balance at beginning of year	2017 \$41,395,000
Current year claims & changes in estimates	267,726,068
Claim Payments	(266,900,068)

Balance at End of Year	\$42,221,000
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Summary of Changes in Estimated Accrued Claims

State Retiree Welfare Benefit Trust

Balances

Balance at beginning of year	2017 \$10,107,000
Current year claims & changes in estimates	142,373,216
Claim Payments	(142,592,216)

Balance at End of Year	\$9,888,000
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J. Retirement Plan

General Information About the Pension Plan

Plan description. Benefit eligible employees of MCHCP are provided with pensions through MOSERS – a cost-sharing multiple-employer defined benefit pension plan. Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish a defined plan for eligible state and other related agency employees. MOSERS issues an annual Comprehensive Annual Financial Report (CAFR), a publicly available report that can be obtained at www.mosers.org.

Benefits provided. MOSERS provides retirement, disability, and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a factor multiplied by the years of credited service. The factor is based on the specific plan in which the employee participates, which is based on the employee's hire date. Information on the three plans administered by MOSERS (MSEP, MSEP 2000, and MSEP2011 retirement plans) and how eligibility and the benefit amount is determined for each plan may be found in the Notes to the Financial Statements of MOSERS' CAFR available at www.mosers.org.

Contributions. Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board of Trustees. Employees in the MSEP2011 Plan are required to contribute 4.0 percent of their annual pay. MCHCP's required contribution rate for the year ended June 30, 2017, was 16.97 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan year ended June 30, 2016, was 16.97 percent, which is the year of measurement for the net pension liability. Contributions to the pension plan

from MCHCP were \$511,844 for the year ended June 30, 2017.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of MOSERS and additions/deductions from MOSERS' fiduciary net position have been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, MCHCP reported a liability of \$7,265,764 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The MCHCP proportion of the net pension liability was based on MCHCP's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2016. At June 30, 2016, MCHCP's proportion was 0.1565 percent, a decrease from its proportion measured using 0.160 percent as of the June 30, 2015, measurement date. There were no changes in benefit terms during the MOSERS plan year ended June 30, 2016, that affected the measurement of total pension liability.

For the year ended June 30, 2017, MCHCP recognized pension expense of \$1,086,716. At June 30, 2017, MCHCP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows/Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$74,830	\$21,229
Changes of assumptions	756,506	43,672
Net difference between projected and actual earnings on pension plan investments	1,187,152	-
Changes in proportion and differences between MCHCP contributions and proportionate share of contributions	31,949	74,883
MCHCP contributions subsequent to the measurement date of 6-30-16	511,844	-
Total	\$2,562,281	\$139,784

Contributions of \$511,844 reported as deferred outflows of resources related to pensions resulting from MCHCP contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and

deferred inflows of resources related to pensions will be recognized in pension expense in MCHCP's fiscal year following MOSERS' fiscal year as follows:

Projected Recognition of Deferred Outflows/(Inflows)

Plan Year ending June 30:

2017	\$493,660
2018	491,349
2019	718,027
2020	207,618
Thereafter	-

Assumptions. The total pension liability in the June 30, 2016, actuarial valuation, which is also the date of measurement for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.25% to 8.75% including inflation
Wage Inflation	3.0%
Investment rate of return	7.65%, compounded annually, net after investment expenses and including inflation

Mortality rates for post-retirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120%. The pre-retirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS Board made various demographic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 8 percent to 7.65 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The long term expected rate of return on pension plan investments was determined using a building block

method in which best estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class Allocation

Asset Class	Policy Allocation	Long-term Expected Real Rate of Return*	Weighted Average Long-Term Expected Real Rate of Return
Beta Balanced	80.0%	5.7%	4.6%
Illiquids**	20.0%	7.3%	1.5%
	100.0%		6.1%

*Represent best estimates of geometric rates of return for each major asset class included

** Illiquid portfolio upper limit of 27.5% of capital, no new commitments past 23%

Discount rate. The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods

of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate. The following presents MCHCP's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what MCHCP's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
MCHCP's proportionate share of the net pension liability	\$9,567,272	\$7,265,764	\$5,336,141

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS financial report.

Additionally, the Plan did not report any payables to MOSERS at June 30, 2017.

K. Deferred Compensation Plan

The State of Missouri Deferred Compensation Plan is a voluntary defined contribution plan offered in compliance with IRS Code Sections 457 and 401(a). The Plan is administered by MOSERS in accordance with Sections 105.900 to 105.927 of the Revised Statutes of Missouri. MOSERS has retained ICMA-RC for participant account record keeping and processing services. The Plan offers all state employees the opportunity to save for retirement with before and after tax (Roth) money. New permanent full-time and part-time employees are automatically enrolled in the plan at a 1% contribution per pay period made via payroll deduction.

Audited financial statements for the State of Missouri Deferred Compensation Plan can be viewed on MOSERS website at www.mosers.org.

L. Employee Assistance Program

An employee assistance benefit program is offered to all state employees and their immediate families. The program, serviced through ComPsych, offers six free mental health counseling sessions per problem, per year and can be accessed 24 hours a day through a toll-free number.

M. Post-Employment Retiree Health Care

Employees may participate in state-sponsored medical coverage in retirement based on Plan criteria. At June 30, 2017, there were 21,132 retirees and their dependents who met these eligibility requirements.

For the year ended June 30, 2017, expenditures (net of retiree contributions) of \$142.4 million were recognized for post-retirement medical insurance coverage under the self-funded PPO, and less than \$23,000 under the fully insured PPO option.

Plan Description. In addition to the pension benefits described in Note J, the Plan operates a cost sharing multiple employer, defined benefit OPEB plan, the State Retiree Welfare Benefit Trust (SRWBT). Employees may participate at retirement if eligible to receive a monthly retirement benefit from either the Missouri Employees' Retirement System (MOSERS) or another retirement system whose members are grandfathered for coverage under the plan by law. The terms and conditions governing postemployment benefits, are vested with the MCHCP Board of Trustees within the authority granted under Chapter 103 of the Revised Statutes of Missouri (2000) as amended ("RSMo") 103.003 through 103.178.

Plan Membership. At June 30, 2017, membership consisted of the following:

Inactive plan members or beneficiaries

currently receiving benefits - 15,832

Inactive plan members entitled to but not yet receiving benefits* - 0

Active plan members - 37,441

Active/Inactive plan members who may become eligible to receive benefits - 3,629

*Once an inactive member (retiree, survivor, disabled, or vested) member terminates his/her coverage, he/she is not eligible to re-enroll at a later date.

Basis of Accounting. The SRWBT Plan's financial statements are prepared using the accrual basis of accounting, in accordance with GASB Statement No. 74. The assets of the SRWBT are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The SRWBT does not issue a separate financial report.



Contributions. Contributions are established and may be amended by the MCHCP Board of Trustees within the authority granted under Chapter 103 of the Revised Statutes of Missouri (2000) as amended (“RSMo”) 103.003 through 103.178. The Plan contributes 2.5% of the Plan’s PPO 660 plan premium for each year of the employee’s service capped at a maximum contribution of 65%. For the year ended June 30, 2017, participants contributed \$52,169,890 toward their required contributions.

Investments. The Board of Trustees adopted an asset allocation model for the SRWBT that implemented a moderate investment approach to steadily increase the exposure of the SRWBT to higher asset classes over time. Exposure to equities will be through a combination of actively managed index funds and/or exchange traded funds that are highly rated and reviewed regularly. Allocations are back tested, and future assets are projected in all models. No significant changes in the SRWBT investment strategy occurred during the reporting period. The table below presents the asset allocation at June 30, 2017:

Asset Class	Target Allocation	Expected Real Return
Large cap stocks	20.0%	5.7%
Mid cap stocks	10%	6%
Small cap stocks	10%	6%
High-yield bonds	10%	2.6%
BarCap Aggregate bonds	20%	1%
Long Government/Credit	25%	1.4%
Cash equivalents	5%	0.3%

Rate of Return. For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense, was 6.68%. The money weighted rate of return expresses investment

performance, net of investment expenses, adjusted for the changing amounts actually invested.

Actuarial Methods and Assumptions. The actuarial calculations utilize methodologies and assumptions designed to reduce short-term volatility. Actuarial valuations are developed based upon economic assumptions that are appropriate for the purpose of the measurements, take into account relevant historical and current data, reflect estimates of future experience are free of bias, and include demographic actuarial assumptions that are considered to be reasonable and within a best projection range as described by the Actuarial Standards of Practice. Future actuarial measurements may differ from the current measurements presented in this report due to many factors, including plan experience differing from that anticipated by the economic or demographic assumptions and changes in plan provisions or applicable law.

Projections include a broad array of complex social and economic events, such as the emergence of new and expensive medical procedures and prescription drug options, change in investment rates of return, and other uncertainties. As such, the estimate of post-retirement program cost contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated obligation. Additional information as of the latest actuarial valuation is presented below.

The cost method utilized for the valuation year June 30, 2017, was the entry age normal, level percent of pay. Additional information as of the latest actuarial valuation is presented below.

Summary of Key Actuarial Methods & Assumptions

State Retiree Welfare Benefit Trust

General Inflation Rate	3%
Discount Rate	5.7%
Expected Return on Assets	6.5%
Municipal Bond Rate	3.53%
Compensation/Salary Increases	4.0%
Health Care Cost Trend Rate (Med and RX)	Non-Medicare 6.5% in fiscal year 2017, decreasing by 0.25% per year until an ultimate of 5.0% in 2023. Medicare 7.5% in fiscal year 2017, decreasing by 0.25% per year to an ultimate of 5.0% in fiscal year 2027 and after.
Administration expense	\$191 per person

Net OPEB Liability. The net OPEB liability under GASB 74 was calculated utilizing census data at 1/01/2017. Net OPEB liability as of June 30, 2017, was measured as of June 30, 2017, and the total OPEB

liability used to calculate the net OPEB liability was determined by the actuarial valuation as of June 30, 2017, and is presented below:

Net OPEB Liability (in thousands)

Net OPEB Liability Components:

	Fiscal Year 2017	Fiscal Year 2016
Total OPEB Liability	\$1,902,142	\$1,837,911
Plan Fiduciary Net Position	125,443	116,985
Net OPEB Liability	1,776,699	1,720,926
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	6.59%	6.37%

Sensitivity of the net OPEB liability to changes.

The table below presents the net OPEB liability, as well as what the net OPEB liability would be if it were

calculated using a discount rate and health care cost trend rates that are one percentage point lower or one percentage point higher than the current trends.

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates (in thousands)

	1% Decrease in Discount Rate (4.70%)	Current Discount Rate (5.70%)	1% Increase in Discount Rate (6.70%)
Net OPEB Liability	\$2,067,494	1,776,699	1,517,573
	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$1,511,513	1,776,699	2,113,323

Development of Discount Rate. The discount rate was determined as a blend of the best estimate of the expected return on plan assets and, the 20 year high quality municipal bond rate as of the measurement date. For years where expected benefit payments can

be covered by projected trust assets, expected returns are used. For years where payments are not expected to be covered by trust assets, the municipal bond rate is utilized.

MCHCP will begin reporting a net OPEB liability beginning in fiscal year 2018 in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is not yet effective, and under GASB 45, amounts reported and disclosures under the two pronouncements will differ. All state agencies and component units are included in the state's post employment retiree health care calculations. Thus,

separate information is not available for MCHCP, which is a component unit of the state. For fiscal year 2017, MCHCP contributed \$125,710 for its employees in accordance with the state's funding policy toward the annual required contribution (ARC) for post employment retiree health care. These financial statements include the OPEB Plan in which MCHCP participates.





Parity

Required Supplementary
Information

Schedule of Claims Development

State Actives & Retirees

	2017 Total	2017 Active	2017 Retiree
Fiscal Year	July 1, 2016- June 30, 2017	July 1, 2016 June 30, 2017	July 1, 2016 June 30, 2017
Required contribution & investment income	\$584,375,177	\$426,453,482	\$157,921,695
Administrative and third-party expenses	25,352,238	18,041,986	7,310,252
Estimated Incurred Claims & Expenses End of Policy Year	\$559,022,939	\$408,411,496	\$150,611,443
Paid Claims Summary			
Paid (cumulative) as of	July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016
End of Policy Year	\$481,509,000	\$364,363,000	\$117,146,000
One year later	-	-	-
Two years later	-	-	-
Incurred Claims Summary			
Re-estimated incurred claims & expenses	July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016
End of policy year	\$526,392,000	\$400,681,000	\$125,711,000
One year later	-	-	-
Two years later	-	-	-
Increase (Decrease) in Estimated Incurred Claims & Expenses from End of Policy Year	\$32,630,939	\$7,730,496	\$24,900,443

2016 Total	2016 Active	2016 Retiree	2015 Total	2014 Total
July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016	July 1, 2014- June 30, 2015	July 1, 2013- June 30, 2014
\$572,965,632	\$423,347,086	\$149,618,546	\$546,588,384	\$536,537,855
28,514,421	20,428,449	8,085,972	31,253,188	28,895,131
\$544,451,211	\$402,918,637	\$141,532,574	\$515,335,196	\$507,642,724
July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016	July 1, 2014- June 30, 2015	July 1, 2013- June 30, 2014
\$445,260,000	\$339,688,000	\$105,572,000	\$430,201,000	\$403,786,000
\$484,192,000	\$370,965,000	\$113,227,000	\$464,959,000	\$444,302,000
-	-	-	465,201,000	444,563,000
July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016	July 1, 2015- June 30, 2016	July 1, 2014- June 30, 2015	July 1, 2013- June 30, 2014
\$489,459,000	\$374,924,000	\$114,535,000	\$464,270,000	\$440,361,000
484,494,000	371,258,000	113,236,00	465,392,000	444,456,000
-	-	-	465,201,000	444,563,000
\$54,992,211	\$27,994,637	\$26,997,574	\$51,065,196	\$67,281,724

Summary of Key Actuarial Methods and Assumptions

State Retiree Welfare Benefit Trust

Fiscal Year	2017	2016	2015
Valuation Year	July 1, 2016- June 30, 2017	July 1, 2015 June 30, 2016	July 1, 2014- June 30, 2015
Actuarial cost method	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay
Asset valuation method	Market Value	Market Value	Market Value
Actuarial Assumptions			
Discount rate	5.7%	6.0%	6.0%
Projected payroll growth rate	4.0%	4.0%	4.0%
Health care cost trend rate (Medical & prescription drugs combined)	Non Medicare is 6.5% for fiscal year 2017; the rate decreases by 0.25% per year to an ultimate rate of 5% in fiscal year 2023 and later. Medicare is 7.5% for fiscal year 2017; the rate decreases by 0.25% per year until reaching the ultimate rate of 5.0% in fiscal year 2027 and after.	Non Medicare is 6.5% for fiscal year 2016; the rate decreases by 0.3% per year to an ultimate rate of 5% in fiscal year 2021 and later. Medicare is 6.6% for fiscal year 2016; the rate decreases by 0.4% per year through fiscal year 2019, then by 0.2% per year until reaching the ultimate rate of 5% in fiscal 2021 and later.	Non-Medicare is 6.8% for fiscal year 2015; the rate decreases by 0.3% per year to an ultimate rate of 5.0% in fiscal year 2021 & later. Medicare is 7.0% for fiscal year 2015; the rate decreases by 0.4% per year through fiscal year 2019, then by 0.2% per year until reaching the ultimate rate of 5.0% in fiscal year 2021 & later.

2014	2013	2012	2011
July 1, 2013- June 30, 2014	July 1, 2012- June 30, 2013	July 1, 2011- June 30, 2012	July 1, 2010- June 30, 2011
Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay
30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay
Market Value	Market Value	Market Value	Market Value
6.0%	6.5%	6.5%	7.0%
4.0%	4.0%	4.0%	4.0%
<p>Non-Medicare is 7.1% for fiscal year 2014; the rate decreases by 0.3% per year to an ultimate rate of 5.0% in fiscal year 2021 & later.</p> <p>Medicare is 7.4% for fiscal year 2014; the rate decreases by 0.4% per year through fiscal year 2019, then by 0.2% per year until reaching the ultimate rate of 5.0% in fiscal year 2021 & later.</p>	<p>Non-Medicare is 7.4% for fiscal year 2013; the rate decreases by 0.3% per year to an ultimate rate of 5.0% in fiscal year 2021 & later.</p> <p>Medicare is 7.8% for fiscal year 2013; the rate decreases by 0.4% per year through fiscal year 2019, then by 0.2% per year until reaching the ultimate rate of 5.0% in fiscal year 2021 & later.</p>	<p>Non-Medicare: 8.00% in fiscal year 2012, then decreasing by 3/5% per year to an ultimate of 5.0% in fiscal year 2017 & after.</p> <p>Medicare: 8.50% in fiscal year 2012, then decreasing by 7/10% per year to an ultimate of 5.0% in fiscal year 2017 & after.</p>	<p>7.67% in fiscal year 2011, then decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 & after.</p>

Schedule of Changes in the Net OPEB Liability and Related Ratios

(in thousands)

Fiscal Year Ending

	2017	2016	2015	2014
Total OPEB liability				
Service cost	\$29,158	\$20,703		
Interest	104,472	103,167		
Changes in benefit terms	-	-		
Differences between expected and actual experience	-	-		
Demographic (gains)/losses	(2,619)	3,100		
Changes of assumptions	-	38,683		
Benefit payments	(66,780)	(58,396)		
Net change in total OPEB liability	64,231	107,258		
Total OPEB liability - beginning	1,837,912	1,730,654		
Total OPEB liability- ending (a)	1,902,143	1,837,912		
Plan fiduciary net position				
Contributions - employer	67,399	66,200		
Contributions - employee	52,170	51,447		
Net investment income	7,839	2,276		
Benefit payments, including refunds of employee contributions	(142,154)	(131,452)		
Other	(7,310)	(8,086)		
Net change in fiduciary net position	8,457	10,079		
Plan fiduciary net position - beginning	116,985	106,905		
Plan fiduciary net position - ending (b)	125,443	116,985		
Net OPEB liability- ending (a) - (b)	1,776,700	1,720,927		
Plan's fiduciary net position as a percentage of the total OPEB liability	6.59%	6.37%		
Covered-employee payroll	1,609,515	1,586,496		
Net OPEB liability as a percentage of covered employee payroll	110.39%	108.47%		

2013

2012

2011

2010

2009

2008

(Historical information prior to implementation of GASB 74/75 is not required)

(Historical information prior to implementation of GASB 74/75 is not required)

(Historical information prior to implementation of GASB 74/75 is not required)

Schedule of Funding Progress *(in millions)*

State Retiree Welfare Benefit Trust

Fiscal Year Ending	2017	2016	2015	2014
Actuarial Value of Assets (a)	\$125.4	\$117.0	\$106.9	\$102.3
Actuarial Accrued Liability (AAL) (b)	\$1,837.9	\$1,730.7	\$1,813.5	\$1,649.5
Unfunded/(Overfunded) AAL (UAAL) (b) - (a)	\$1,712.5	\$1,613.7	\$1,706.6	\$1,547.2
Funded Ratio (a) / (b)	6.8%	6.8%	5.9%	6.2%
Covered Payroll (c)	\$1,609.5	\$1,586.5	\$1,583.7	\$1,566.7
UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]	106.4%	101.7%	107.8%	98.8%

Schedule of Employer Contributions *(in millions)*

State Retiree Welfare Benefit Trust

	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution (ADC)	\$106.8	\$96.6	\$103.7	\$100.1	\$93.4	\$100.8	\$99.8
Annual Contribution	67.4	66.2	62.6	56.3	54.0	57.1	53.4
Contribution deficiency (excess)	39.4	30.4	41.1	43.8	39.4	43.7	46.4
Covered- employee payroll	1,609.5	1,586.5	1,583.7	1,566.7	1,552.7	1,534.2	1,559.1
Percentage of (ADC) Contributed	63.1%	68.5%	60.4%	56.2%	57.8%	56.6%	53.5%
Contributions as a percentage of covered employee payroll	4.2%	4.2%	4.0%	3.6%	3.5%	3.7%	3.4%

The state provided benefit payments and administrative costs of \$67.4M in fiscal year 2017. The Statement of Changes in Fiduciary Net Position provides more details concerning these amounts.

2013	2012	2011	2010	2009
\$89.5	\$83.6	\$117.0	\$106.9	\$102.3
\$1,485.6	\$1,594.5	\$1,730.7	\$1,813.5	\$1,649.5
\$1,396.1	\$1,510.9	\$1,613.7	\$1,706.6	\$1,547.2
6.0%	5.2%	6.8%	5.9%	6.2%
\$1,552.7	\$1,534.2	\$1,586.5	\$1,583.7	\$1,566.7
89.9%	98.5%	101.7%	107.8%	98.8%

Schedule of Annual Money-Weighted Rate of Return on Investments - OPEB Plan

Year Ended
June 30

2017

Annual Money-Weighted Rate of Return - Net of Investment Expense

6.68%

NOTE: This schedule will ultimately contain 10 years of data.

Schedule of the Proportionate Share of the Net Pension Liability

Missouri Consolidated Health Care Plan

	June 30, 2017	June 30, 2016	June 30, 2015
MCHCP's Proportion Of The Net Pension Liability (Asset)	0.1565%	0.1600%	0.1577%
MCHCP's Proportionate Share Of The Net Pension Liability (Asset)	\$7,265,764	\$5,133,995	\$3,718,668
MCHCP's Covered-Employee Payroll	\$3,031,348	\$3,095,028	\$3,144,017
MCHCP's Proportionate Share Of The Net Pension Liability (Asset) As A Percentage Of Its Covered-Employee Payroll	239.69%	165.88%	118.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.60%	72.62%	79.49%

**Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.*

NOTE: This schedule will ultimately contain 10 years of data.

Schedule of Contributions

Missouri Consolidated Health Care Plan

	June 30, 2017	June 30, 2016	June 30, 2015
Required contribution	\$514,420	\$525,227	\$514,746
Contribution in relation to the required contribution	\$514,420	\$525,227	\$514,746
Contribution deficiency (excess)	\$0	\$0	\$0
MCHCP's covered-employee payroll	\$3,031,348	\$3,095,028	\$3,144,017
Contributions as a percentage of covered-employee payroll	16.97%	16.93%	16.37%

**Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.*

NOTE: This schedule will ultimately contain 10 years of data.

Notes to Required Supplementary Information for the Year Ended June 30, 2017

Changes of benefit terms or assumptions - Pension Plan

Changes of benefit terms. *There were no changes to benefit terms in the plan for the year ended June 30, 2016.*

Changes of assumptions. *Economic and demographic assumptions were updated by the Board of Trustees on July 16, 2016 to be first effective for the June 30, 2016 valuation. The most significant changes to these assumptions were the reduction of the investment return assumption from 8 percent to 7.65 percent and the adoption of new mortality tables. Mortality rates for post-retirement mortality are now based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120%. The pre-retirement mortality table used is now the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females.*

Changes of benefit terms or assumptions - OPEB Plan

Changes of assumptions. *The expected return on assets was changed to 6.50% and the discount rate was changed to 5.70%.*



Calibrate

Statistical

Historical Data: Revenues by Source

Internal Service Fund, ten years ended June 30, 2017

Fiscal Year	State/Employer Contributions	Member Contributions	Public Entity Income	Pharmacy Rebates & Subsidy	Total Operating Revenues	Investment & Other Income
2017	327,233,709	80,960,318	7,468,778	17,365,478	433,028,283	893,977
2016	324,857,578	83,815,598	7,904,470	13,500,867	430,078,513	1,173,043
2015	324,630,770	83,734,256	8,063,991	5,689,731	422,118,748	735,595
2014	314,696,927	87,402,560	8,234,207	7,684,071	418,017,765	877,940
2013	316,307,501	90,793,617	8,215,776	4,256,453	419,573,347	436,909
2012	319,804,444	89,797,753	8,492,621	5,375,360	423,470,178	853,463
2011	354,247,003	83,925,846	9,513,436	4,522,990	452,209,275	708,812
2010	356,953,666	73,309,792	10,295,456	5,344,809	445,903,723	1,104,898
2009	270,289,644	65,348,201	9,966,190	4,603,754	350,207,789	2,504,570
2008	276,886,166	57,339,368	10,008,570	5,033,832	349,267,936	7,099,139

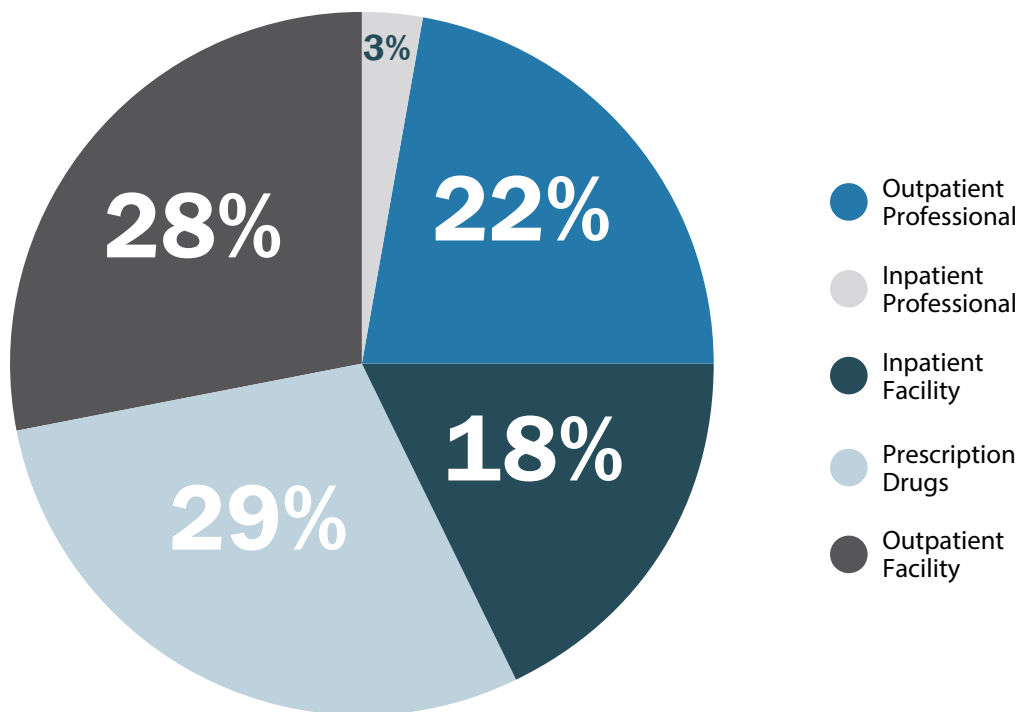
Historical Data: Expenses by Type

Internal Service Fund, ten years ended June 30, 2017

Fiscal Year	Medical Claims/Capitation & Health Administrative Services			Total Operating Expenses & Fees
	Services	Administration & Payroll	Other	
2017	474,453,616	4,317,715	1,488,309	480,259,640
2016	452,409,305	3,846,601	1,644,070	457,899,976
2015	420,740,454	3,998,457	1,846,818	426,585,729
2014	399,793,666	3,966,917	1,961,783	405,722,366
2013	384,588,353	3,983,962	1,805,563	390,377,878
2012	381,291,864	3,885,557	2,097,573	387,274,994
2011	422,066,045	4,148,726	2,134,781	428,349,552
2010	422,117,593	4,275,900	2,230,997	428,624,490
2009	431,216,276	4,809,936	2,117,078	438,143,290
2008	376,273,599	4,451,041	1,823,192	382,547,832

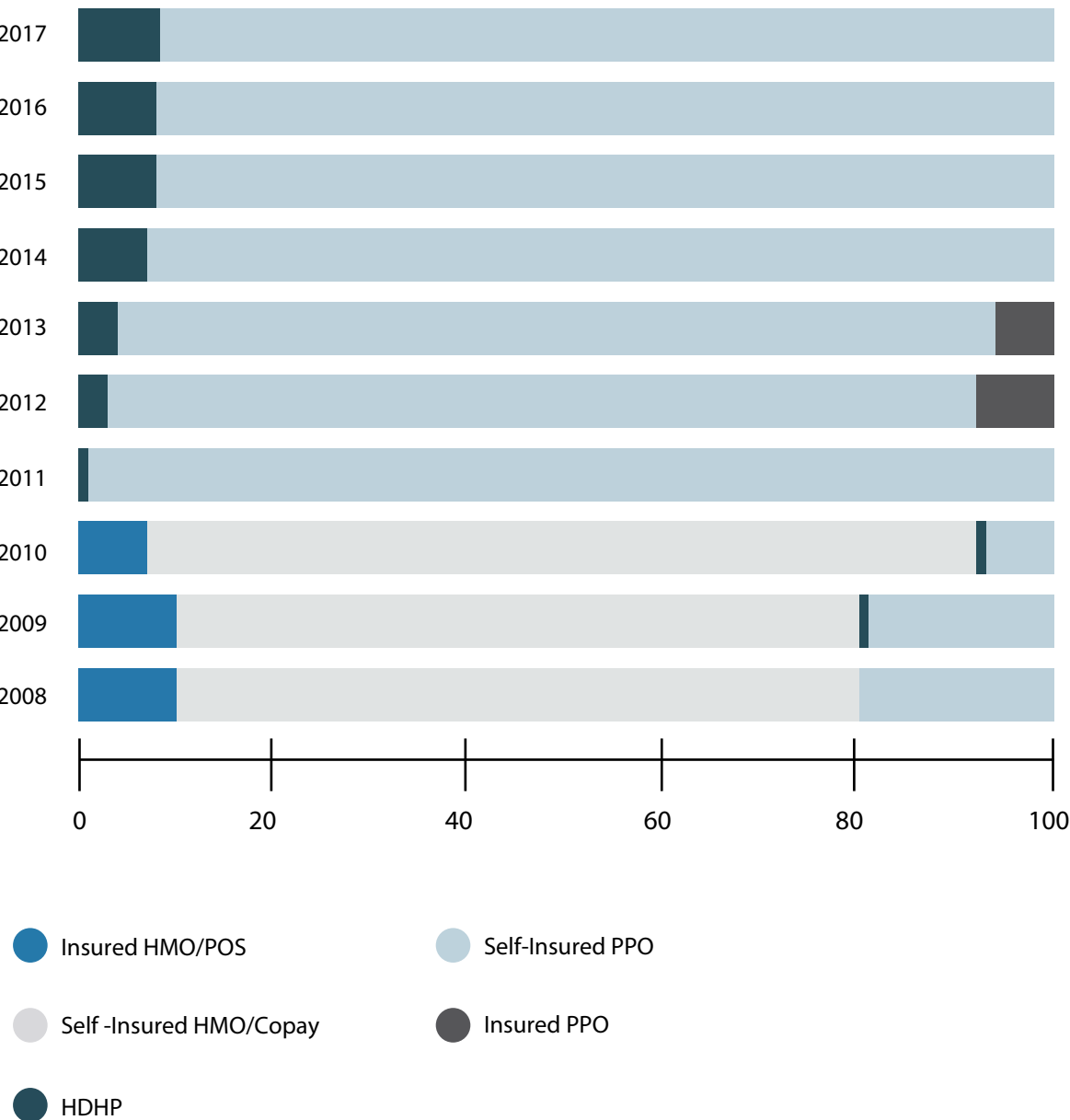
Distribution of Claim Payments

State Membership, Fiscal Year 2017



Healthcare Options by Year & Total Lives

State Membership, ten years ended June 30, 2017





Statement of Revenues, Expenses & Changes in Net Position

Internal Service Fund, ten years ended June 30, 2017

Fiscal Year Ending	2017	2016	2015	2014
Operating Revenues				
State/employer contributions	\$327,233,709	\$324,857,578	\$324,630,770	\$314,696,927
Member contributions	80,960,318	83,815,598	83,734,256	87,402,560
Public entity contributions	7,468,778	7,904,470	8,063,991	8,234,207
Pharmacy rebates	17,365,478	13,500,867	5,689,731	7,684,071
Total Operating Revenues	\$433,028,283	\$430,078,513	\$422,118,748	\$418,017,765
Operating Expenses				
Medical claims & capitation expense	\$462,217,654	\$437,471,527	\$403,830,055	\$384,618,997
Claims administration services	11,445,426	13,218,054	15,639,455	13,852,877
Payroll and related benefits	3,580,771	3,192,904	3,171,205	3,256,596
Health management	790,536	1,719,724	1,270,944	1,321,792
Administration	736,944	653,697	827,252	710,321
Professional services	862,896	962,817	1,132,123	1,239,582
Employee Assistance Program	536,566	594,341	598,961	578,534
Depreciation	88,847	86,912	115,734	143,667
Total Operating Expenses	\$480,259,640	\$457,899,976	\$426,585,729	\$405,722,366
Operating revenues over (under) operating expenses	(47,231,357)	(27,821,463)	(4,466,981)	12,295,399
Nonoperating Revenues				
Investment and other income	893,977	1,173,043	\$735,595	\$877,940
Net Position				
Change in net position	(\$46,337,380)	(\$26,648,420)	(\$3,731,386)	\$13,173,339
Net position, beginning of year, adjusted	108,782,946	135,431,366	139,162,752	130,428,285
Net Position, End of Year	\$62,445,566	\$108,782,946	\$135,431,366	\$143,601,624

2013	2012	2011	2010	2009	2008
\$316,307,501	\$319,804,444	\$354,247,003	\$356,953,666	\$270,289,644	\$276,886,166
90,793,617	89,797,753	83,925,846	73,309,792	65,348,201	57,339,368
8,215,776	8,492,621	9,513,436	10,295,456	9,966,190	10,008,570
4,256,453	5,375,360	4,522,990	5,344,809	4,603,754	5,033,832
\$419,573,347	\$423,470,178	\$452,209,275	\$445,903,723	\$350,207,789	\$349,267,936
\$372,475,046	\$369,224,125	\$409,567,239	\$405,742,184	\$411,593,266	\$357,621,982
10,806,319	10,715,326	11,127,397	13,711,789	15,104,342	14,432,722
2,956,116	2,995,419	3,118,821	3,365,166	3,605,582	3,291,979
1,306,988	1,352,413	1,371,409	2,663,620	4,518,668	4,218,895
893,425	755,431	668,081	910,734	1,204,354	1,159,062
1,219,526	1,410,821	1,359,829	1,132,392	1,137,039	907,127
586,037	686,752	774,952	757,934	696,380	674,601
134,421	134,707	361,824	340,671	283,659	241,464
\$390,377,878	\$387,274,994	\$428,349,552	\$428,624,490	\$438,143,290	\$382,547,832
29,195,469	36,195,184	23,859,723	17,279,233	(87,935,501)	(33,279,896)
\$436,909	\$853,463	\$708,812	\$1,104,898	\$2,504,570	\$7,099,139
\$29,632,378	\$37,048,647	\$24,568,535	\$18,384,131	(\$85,430,931)	(\$26,180,757)
100,795,907	63,747,260	39,178,725	20,794,594	106,225,525	132,406,282
\$130,428,285	\$100,795,907	\$63,747,260	\$39,178,725	\$20,794,594	\$106,225,525

Schedule of Net Position by Component

Internal Service Fund, ten years ended June 30, 2017

Net Position	Net investments in capital assets	Unrestricted	Total net position
2017	\$283,032	\$62,162,534	\$62,445,566
2016	221,396	108,561,550	108,782,946
2015	304,082	135,127,283	135,431,365
2014	250,090	143,351,534	143,601,624
2013	262,720	130,165,565	130,428,285
2012	256,281	100,539,626	100,795,907
2011	333,028	63,414,232	63,747,260
2010	418,325	38,760,400	39,178,725
2009	488,735	20,305,859	20,794,594
2008	447,943	105,777,582	106,225,525

Full-Time Employees

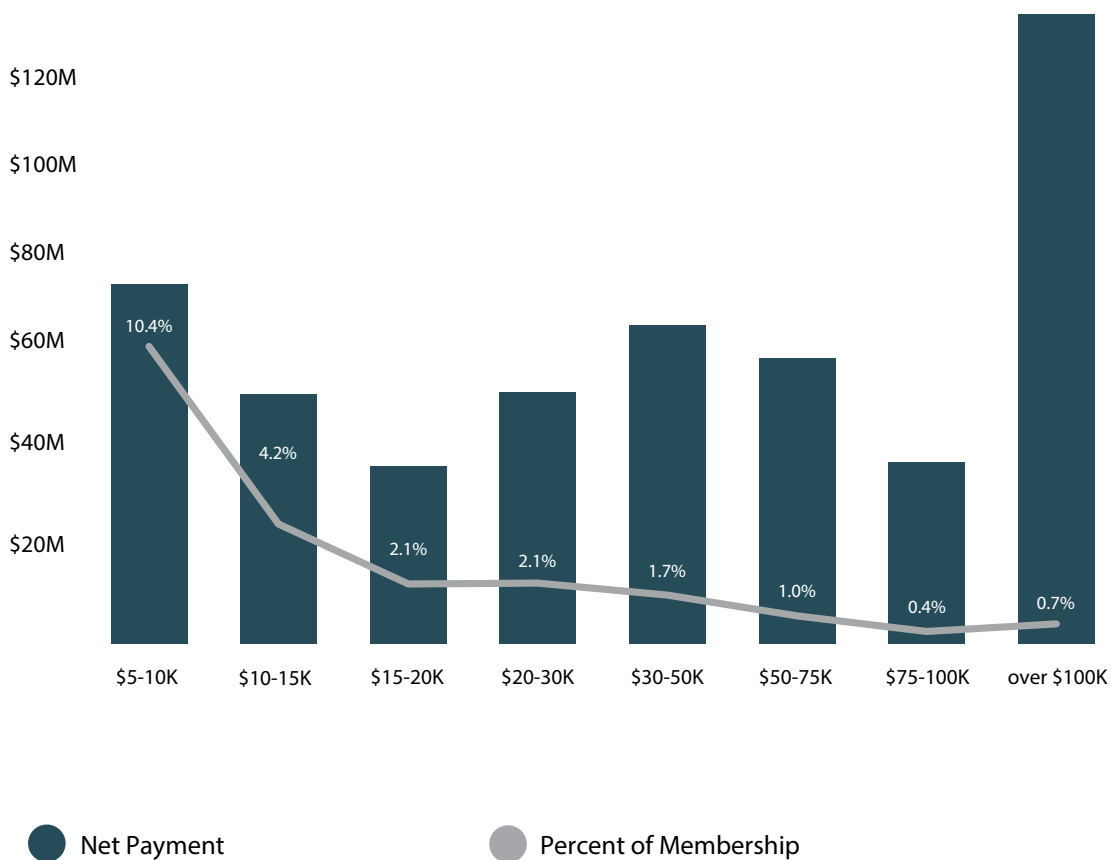
Missouri Consolidated Health Care Plan, ten years ended June 30, 2017

Department	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Executive & Administration	2.00	2.00	2.00	2.00	2.00	5.00	4.76	4.46	3.61	3.85
Operations	46.58	48.54	50.00	50.97	48.10	46.59	47.79	52.80	58.98	57.07
General Counsel	1.00	1.20	2.00	2.50	1.50	2.00	1.75	0.75	1.00	1.00
Internal Audit	3.00	3.00	3.00	4.00	4.00	3.00	3.00	2.96	3.00	3.00
Human Resources	1.00	1.00	1.00	1.00	0.53	1.00	0.82	1.48	2.00	2.00
Fiscal	5.92	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Totals	59.5	61.74	64.00	66.47	62.13	63.59	64.12	68.45	74.59	72.92

Source: Missouri Consolidated Health Care Budget Documents

Paid Claims Distribution by Individual

State Members Fiscal Year 2017



77.5% of membership accumulated \$0-\$5K in claims and accounted for \$81.9M in cost

State Membership Enrolled in MCHCP

Subscribers & Dependents as of June 30, 2017

Age	Active		Retiree		COBRA		Disabled		Survivors		Vested		Total
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
<1	354	431	1	3	1	1	1	0	0	0	0	1	793
1-10	4,680	4,850	17	15	7	4	1	1	2	3	8	3	9,591
11-19	5,750	6,104	120	95	2	4	1	3	9	9	3	6	12,106
20-24	3,640	3,470	207	206	0	2	5	2	7	5	8	1	7,553
25-29	2,714	1,973	62	46	12	7	1	1	3	3	2	0	4,824
30-34	2,735	1,838	6	10	4	2	1	0	0	1	1	0	4,598
35-39	3,098	1,906	2	7	2	1	5	0	0	1	2	1	5,025
40-44	3,274	1,967	6	6	0	0	2	3	0	0	7	2	5,267
45-49	4,010	2,393	23	10	7	1	11	3	2	0	9	10	6,479
50-54	4,132	2,658	306	149	0	2	23	10	3	2	16	6	7,307
55-59	3,703	2,546	1,264	549	3	5	23	5	18	7	19	13	8,155
60-64	2,344	1,903	2,491	1,324	10	4	9	4	40	11	1	5	8,146
65-69	669	651	2,864	1,836	0	0	2	1	79	24	0	1	6,127
70-74	95	154	2,086	1,466	0	0	2	1	102	27	0	0	3,933
75-79	15	25	1,415	939	0	0	0	0	132	42	1	0	2,569
80+	5	7	1,653	893	0	0	0	0	330	65	1	1	2,955
Total	41,218	32,876	12,523	7,554	48	33	87	34	727	200	78	50	95,428
	Total Active 74,094		Total Retirees 20,077		Total COBRA 81		Total Disabled 121		Total Survivors 927		Total Vested 128		

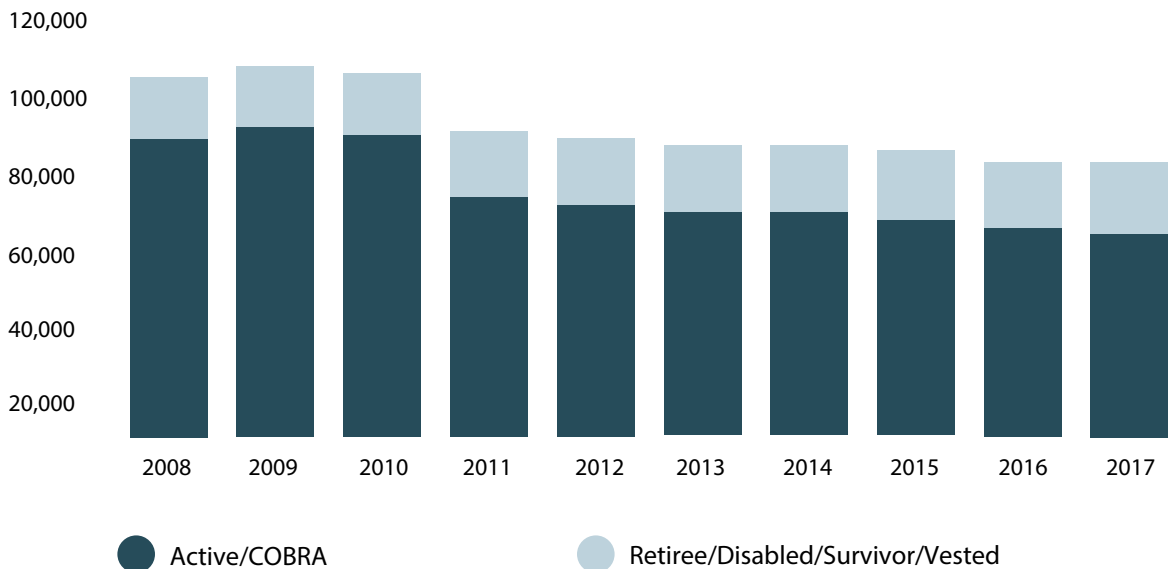
Enrollment History

State Membership, ten years ended June 30, 2017

Year	Active	Retiree	COBRA	Disabled	Survivors	Vested	Total
2008	85,884	16,538	135	390	821	254	104,022
2009	88,277	16,802	189	351	852	210	106,681
2010	86,744	17,122	260	271	857	171	105,425
2011	79,317	17,682	147	258	872	165	98,441
2012	77,069	17,937	65	221	867	169	96,328
2013	76,288	18,361	111	205	847	171	95,983
2014	76,713	18,630	65	167	855	159	96,589
2015	75,808	19,100	59	136	893	142	96,138
2016	74,761	19,534	49	133	909	141	95,527
2017	74,094	20,077	81	121	927	128	95,428

Enrollment Distribution

State Membership, ten years ended June 30, 2017



Public Entity Membership Enrolled in MCHCP

Subscribers & Dependents as of June 30, 2017

Age	Active		Retiree		COBRA		Total
	Female	Male	Female	Male	Female	Male	
<1	4	4	0	0	0	0	8
1-10	26	20	0	0	1	0	47
11-19	34	34	0	0	1	1	70
20-24	35	44	0	0	0	0	79
25-29	35	43	0	0	0	0	78
30-34	48	35	0	0	0	0	83
35-39	27	42	0	0	0	1	70
40-44	48	43	0	0	0	0	91
45-49	49	37	0	0	0	0	86
50-54	83	42	0	0	0	0	125
55-59	67	50	0	0	1	0	118
60-64	68	39	0	0	3	0	110
65-69	21	14	1	0	0	0	36
70-74	3	6	0	0	0	0	9
75-79	1	0	2	2	0	0	5
80+	0	1	0	0	0	0	1
Total	549	454	3	2	6	2	1,016
Total Active 1,003		Total Retirees 5		Total COBRA 8			

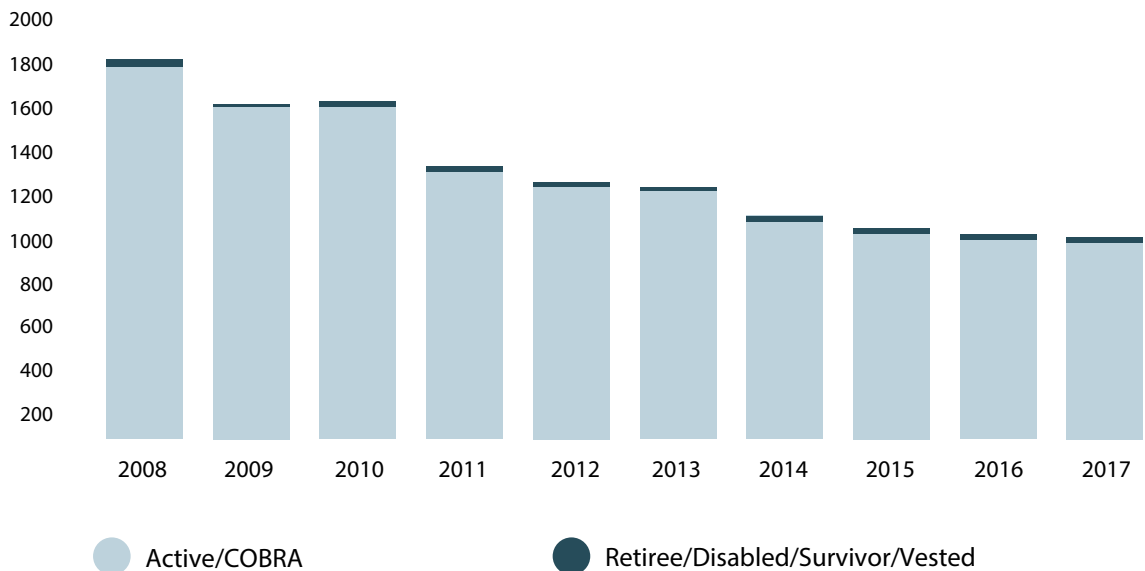
Enrollment History

Public Entity Membership, ten years ended June 30, 2017

Year	Active	Retiree	COBRA	Total
2008	1,752	18	13	1,783
2009	1,590	7	16	1,613
2010	1,596	14	16	1,626
2011	1,365	13	12	1,390
2012	1,277	10	9	1,296
2013	1,244	9	9	1,262
2014	1,197	14	2	1,213
2015	1,115	12	4	1,131
2016	1,056	14	8	1,078
2017	1,003	5	8	1,016

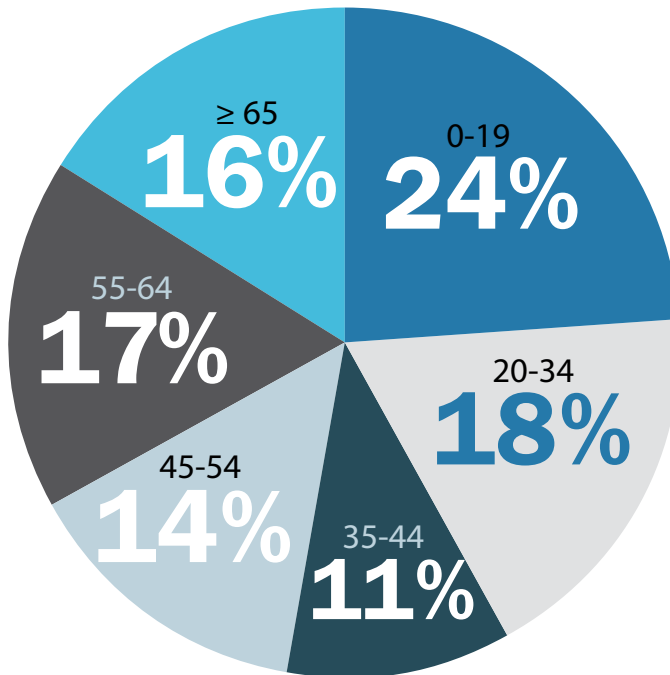
Enrollment Distribution

Public Entity Membership, ten years ended June 30, 2017



Plan Demographics

State Membership, Fiscal Year 2017



Total Lives

95,428

Average Age

41
years



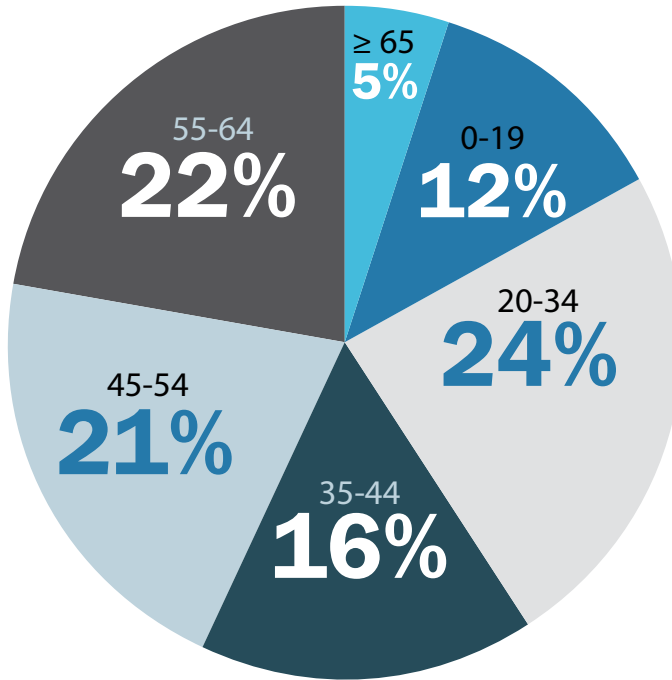
43%



57%

Plan Demographics

Public Entity Membership, Fiscal Year 2017



Total Lives

1,016

Average Age

41
years



45%



55%

